



Acknowledgements

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Maureen Bradley – Accord Housing Association

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Domini Gunn – Audit Commission

Deborah Illott – Housing Corporation

Gary Lashko – Carr-Gomm Society

John Millard – Framework Housing Association

Julia Murray – Housing Corporation

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Tribal Consulting, 87-91 Newman Street, London W1T 3EY

Telephone: 020 7323 7111

www.tribalgroupp.co.uk

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1 Introduction: How to Use this Toolkit

1.1 Why read this Toolkit?

1.1.1 This Toolkit is primarily aimed at assisting housing associations involved in care and support provision to address the current efficiency agenda, whether it be the Housing Corporation's expectations for annual efficiencies to be achieved or Supporting People commissioners' desire to contract with cost-efficient services that demonstrate value for money. However, much of its content is likely to be useful to other types of organisation that provide care and support services too.

1.1.2 The Toolkit was developed with the help of a steering group consisting of providers with a great deal of experience of provision of supported and sheltered housing and care and support services. It has also been piloted by a number of other providers – both specialist and mainstream housing associations. The feedback we have received throughout the Toolkit's compilation is that having this publication on efficiency, aimed specifically at organisations providing care and support, is very useful.

1.2 What does the Toolkit have to offer?

1.2.1 The Toolkit contains lots of ideas, suggestions, case studies, website links and other tools covering a wide range of efficiency issues, all aimed at helping organisations achieve efficient services whilst maintaining or improving service quality. There is also a questionnaire to help you evaluate how well your organisation has approached the efficiency agenda to date.

1.3 How is the Toolkit best read?

1.3.1 It is not necessary to progress through the Toolkit from beginning to end as if it were a study aid. Most of the tools within it can be used on a stand-alone basis whenever they might be useful. Where there are linkages between particular topics, we have pointed this out in the relevant sections. It is, however, recommended that you start by completing the Self Assessment Questionnaire and by reading the At A Glance Guide that follows this Introduction.

1.3.2 The Toolkit is a sizable document and should not necessarily be read by just one person. Different people in your organisation are likely to be best placed to read and comment on different sections. Even completing the Self Assessment Questionnaire is likely to be best approached as a group task.

1.4 Who is the Toolkit aimed at?

1.4.1 The Toolkit has essentially been written with managers of care and support operations in mind, although it also contains sections (for instance, those on Knowing Your Costs and Improving Procurement) which are likely to be of wider interest within associations. There are also a number of tools, such as the Powerpoint presentations on 'What Is Efficiency?' and 'Good Financial Management' and the checklists in the section on Reducing Consumption, which are specifically aimed at encouraging non-managers to involve themselves in efficiency issues.

2 At A Glance Guide to the Toolkit

2.1 Using this Toolkit to improve efficiency

2.1.1 The aim of this Toolkit is not to prescribe a fixed approach to be followed by all organisations providing care and support services. Its aim is to help you to understand efficiency and then to develop an approach to improving efficiency that is appropriate to your organisation. It aims to do this by means of a series of tools – briefings, PowerPoint presentations, techniques and case studies that are all based on proven methods that have been used elsewhere.

2.1.2 The At A Glance Guide below looks at what your aims might be in referring to this Toolkit, the kinds of methods you might use to achieve them, and gives you links to the appropriate sections of this Toolkit. We suggest that, in any case, you commence your usage of the Toolkit by completing the Self Assessment Questionnaire, as this will give you an indication as to how well your organisation is currently addressing the efficiency agenda.

I want to...	Methods you might use	Tools that might help
Evaluate my organisation's approach to efficiency	Self assessment	Self Assessment Questionnaire
Improve my organisation's awareness or understanding of efficiency	Awareness raising / training	The Efficiency Context Introduction to Efficiency presentation
Begin to improve efficiency within my organisation	Planning	Developing an Efficiency Strategy (includes an Efficiency Strategy Checklist)
Involve others and develop an efficiency culture within my organisation	Methods that involve staff and service users	Involving Service Users and Staff
Understand my services' costs better	Financial analysis	Knowing Your Costs (includes a Checklist of Key Budgeting Factors)
Understand my services' performance better	Performance measurement and monitoring	Knowing Your Performance
Know how my organisation or service compares to others	Benchmarking	Using Benchmarking to Improve Efficiency
Increase my organisation's output	Focus working practices on greater output	Working Smarter
Reduce the cost of my consumables	Better procurement	Improving your Procurement
Improve my organisation's outcomes	Focus working practices on better outcomes	Improving Outcomes
Reduce unplanned expenditure and/or control costs better	Improving financial management	Good Financial Management presentation

I want to...	Methods you might use	Tools that might help
Reduce the amount of consumables used by my organisation	Focus working practices on reduced consumption	<u>Reducing Consumption</u> (includes Low-Cost and Longer-Term Checklists)
Price my organisation's services correctly and/or improve our approach to tendering	Better budgeting and activity costing	<u>Pricing Services and Tendering</u> (includes a Tender Consideration Checklist)
Bring about more fundamental change within my organisation	Restructuring, mergers	<u>Organisational Change</u>
Ensure my organisation complies with regulatory requirements	Check your organisation's approach against a summary of requirements	<u>Regulatory Checklist</u>
Obtain further information on the subjects covered in this Toolkit	Search on the Internet	<u>Website Links</u>

2.2 Prioritising action on efficiency

2.2.1 This Toolkit covers a lot of ground and for some organisations it will be impossible to tackle all outstanding areas at once. As we indicate in the section on 'Developing an Efficiency Strategy', organisations should consider what their priorities are in the area of efficiencies and direct their efforts accordingly. Efficiency priorities might be influenced by a range of factors, for instance:

- ! External pressure – e.g. from regulators or commissioners
- ! Desire for quick wins
- ! Perception of likely areas of worst inefficiencies.

2.3 Essential steps for small organisations

2.3.1 Taking as a starting point a small provider of supported housing and/or care and support services that had yet to take any steps in relation to efficiency, we would recommend the following priority order of essential actions needed to ensure the issue is properly addressed:

- 1) Give a senior person in your organisation the role of 'efficiency champion'.
- 2) Adopt an Efficiency Strategy.
- 3) Make sure that costs in your organisation are properly allocated between functions and across individual projects and are properly understood.
- 4) How do your costs compare with those of similar organisations or services? – Does there appear to be scope for efficiencies?
- 5) Look at how you procure services and goods – is there scope for efficiencies in this area?
- 6) Involve staff and service users in assessing the efficiency and effectiveness of your organisation's key processes

- 7) Develop an efficiency culture within the organisation as a whole, with the aims of promoting smarter working and reducing use of consumables.
- 8) If, after all this, you are still unable to compete competitively for tender opportunities, then consider making further efficiencies through restructuring, consortia partnerships or merger.

3 The Efficiency Context

3.1 Introduction

- 3.1.1 This Toolkit section covers the background to the efficiency agenda that housing associations involved in care and support services to vulnerable people face; looks at the future environment in relation to efficiency; assesses who benefits from efficiency; and sets out the implications for organisations involved in care and support provision.

3.2 The drivers for efficiency in supported & sheltered housing

- 3.2.1 For many housing associations involved in the provision of supported and sheltered housing, there are two main drivers for efficiency – Supporting People and the Government's efficiency agenda.

3.3 Efficiency and Supporting People

- 3.3.1 Most housing associations providing supported and sheltered housing have experienced the pressures on local authority Supporting People budgets that help fund support services to vulnerable people.
- 3.3.2 Supporting People budgets have been under pressure virtually from the point they were established. When the regime came into being in April 2003, it brought together monies that had previously been used to fund support services from the Housing Corporation, Housing Benefit and Probation. In the years leading up to Supporting People's introduction, there had been rapid growth in such services and the size of Supporting People's overall budget of over £1.8 billion was consequently significantly higher than the original Government forecast of between £350-700 million.
- 3.3.3 As a result of this, in October 2003, Robson Rhodes were asked by the Government to conduct an independent review as to how Supporting People funding was being utilised in order to inform funding allocations for 2004/5. In broad terms, the review concluded that value for money could not be assured with the Supporting People programme – there were wide variations in unit costs between administering authorities and across service types and improvements were needed in commissioning to manage the market more effectively.
- 3.3.4 The Government subsequently announced Supporting People budgets of £1.72 billion in 2004/5, followed by £1.7 billion in both 2005/6 and 2006/7 (a similar sum has subsequently been announced for 2007/8). Bearing in mind the impact of inflation, this has meant that administering authorities have had to find efficiencies in order:
- (a) to maintain existing Supporting People services (frequently, however, this has involved making cuts to existing grant allocations); or
 - (b) to develop new services.
- 3.3.5 Whilst central government has encouraged these authorities to be more strategic in determining where reductions in Supporting People funding should be made, in several instances the bulk of existing support providers have been expected to maintain services on effectively standstill budgets through the identification of efficiency savings.
- 3.3.6 To date, contrary to central government guidance, local authorities have sometimes applied reductions to their existing allocations across the board to all services in an area, rather than focusing reductions on poorly performing or inefficient services; even the most efficient support providers can consequently find themselves subjected to arbitrary reductions in funding. This is arguably in part a reflection on the relative lack of

sophisticated data on service performance, outcomes and value for money, both within the Supporting People system and held by providers. There is a need to improve both commissioner and provider practices, which this Toolkit should also help address. As, over time, commissioning is likely to become more focused on value for money, service performance and outcomes, it is in providers' interest to develop their own focus and data on these areas.

3.3.7 With the aim of improving how administering authorities strategically plan, commission, procure and manage services, in 2004 the Government launched a Value Improvement Projects programme involving some 11 authorities. Although some concerns have been voiced at the lack of attention to outcomes in some of the value assessments, this programme achieved not only growth in the numbers of people in receipt of support services, quality improvements, and improved integration with other services, but also substantial cashable efficiency gains.

3.3.8 While Supporting People commissioning and contracting practices continue to develop, it is already clear to housing associations involved in support provision that Supporting People presents very different market conditions to associations' mainstream role of providing affordable housing. Associations have to compete for development funding, but, once secured, buildings are developed under associations' ownership and are likely to remain with the associations forever. Retention of support services, on the other hand, is far more of an unknown. Associations have to demonstrate provision of high-quality, cost-effective services producing desired outcomes and are effectively in competition with a range of other support providers – voluntary organisations, the private sector and local authorities themselves. Remodelling of existing services and competitive tendering for new contracts (with administering authorities often having clear intentions to reduce the numbers of support providers in their area – often an efficiency measure in itself) are becoming increasingly common facts of life.

3.4 The Government's efficiency agenda

3.4.1 But Supporting People is not the only development placing pressure on housing associations providing supported and sheltered housing to become more efficient. Significant changes are also taking place in the sector as housing associations look to deliver the efficiencies required of them through the Government's general efficiency agenda.

3.4.2 In the summer of 2004, the Government published Sir Peter Gershon's report *Releasing resources to the front line* which was aimed at achieving efficiencies in the public sector whilst maintaining, or indeed improving, the quality of public services.

3.4.3 Whilst essentially aimed at services in central government, there were a number of efficiency measures mentioned in the Gershon review that could clearly be replicated within the housing association sector, e.g.:

- ! Investment in ICT to streamline service delivery to the public, cut transaction costs and reduce paperwork
- ! A more joined-up approach to provision of human resource services and other shared "back office" (i.e. Central overheads) services/projects
- ! Better supply side management, with savings delivered by changes in procurement methods
- ! Reshaping of organisations and practices to enhance the productivity of frontline professionals

- Establishment of transparent and auditable efficiency targets for individual business areas

3.4.4 Gershon identified strong financial management as “essential to the efficient use of resources and a pre-requisite to the successful delivery of major efficiency programmes”. In his view, it should form a strong internal challenge to business practices and a catalyst for driving change. Audit committees were identified as having a potential role in helping management focus on the efficient use of resources.

3.4.5 As a result of the Gershon review, the Office of the Deputy Prime Minister (now the Communities and Local Government Department - CLG) agreed a number of efficiency targets including:

- Improving social housing procurement methods to deliver £160m p.a. for reinvestment in the social housing sector
- Realising efficiencies of £195m in the RSL sector on capital works, management and maintenance and commodities
- Targeting and monitoring an aggregate of £835m of efficiencies across the social housing sector as a whole

3.4.6 These targets were incorporated in the Government's 2004 Comprehensive Spending Review, effectively requiring them to be delivered by the end of 2007/8.

3.5 The Housing Corporation's approach towards efficiency

3.5.1 According to Housing Corporation estimates at the time, the housing association sector was in a position to contribute £355m of the £835m social housing efficiency savings target. Efficiencies could be obtained through the delivery of new housing and in other procurement areas and in improved landlord performance (including rationalisation and restructuring). In line with the Gershon approach, there would be a strong focus on applying the efficiency gains to improve frontline services. The Corporation has subsequently been encouraging efficiency measures within the housing association sector and is responsible for ensuring progress towards the sector's efficiency target is monitored and the target achieved.

3.5.2 The Housing Corporation requires all housing associations with more than 1000 properties to submit an AES (an Annual Efficiency Statement, which is accompanied by a Self Assessment Compliance Statement measuring performance in achieving efficiencies in the previous year). The Corporation has not prescribed a format for completion of the AES, but recommends associations follow the model set out in *Housing Association Annual Efficiency Statements: A Guidance Note*, published by the Chartered Institute of Housing and Housemark (see [Website Links](#) section). Smaller associations are expected to report efficiency gains through their existing regulatory arrangements.

3.5.3 The AES analyses three of the four work streams (the fourth being new supply, which is assessed through the use of other Corporation data) targeted for efficiencies:

- Capital works
- Management and maintenance, and
- Commodity goods procurement

3.5.4 Through the AES, the Corporation also collects data on 'Other' (or whole organisation) efficiencies, e.g. efficiencies achieved through treasury management.

- 3.5.5 Together with the outputs of its operating cost index, the AES informs the Housing Corporation's assessment of housing association performance. The Audit Commission Housing Inspectorate's inspection results, which assess the efficiency of service delivery as well as its quality, also feed in to the Corporation's assessment of individual associations.
- 3.5.6 AES returns for 2005 demonstrated that the housing association sector had outperformed its targets for the first year of the regime.
- 3.5.7 A summary report of the returns for 2005 included the following findings:
- ! The largest source of efficiency gains was capital works by large scale voluntary stock transfer housing associations
 - ! Capital works gains generally were well above target in the first year, and were on target for the following two years
 - ! Large associations and groups were contributing a lower share of the gains than expected by their stock holdings, but small, specialist and BME associations were doing better than average. The gains made by specialist associations amounted to nearly double the per-property gains that would be expected
 - ! Almost all associations said they would make gains from partnering in major repairs and day-to-day maintenance, and with collective procurement initiatives
 - ! A significant minority claimed gains made from better treasury management
 - ! Many associations were planning improved performance and reorganisation of services to achieve gains
 - ! The percentage share of commodities gains was below target, suggesting perhaps that, although many associations were joining collective purchasing consortia and in the process of reviewing their wider procurement arrangements, many of these were at an early stage of development and gains may be more fully realised in the future
 - ! Around 28% of gains are from "whole" or "other" areas not specifically targeted by the ODPM where there is almost certainly crossover to management and commodities. Many associations, for example, included gains on IT procurement within "whole" or "other", whilst a minority included these within "commodities". A significant proportion of the "whole organisation" gains were through treasury management savings
- 3.5.8 Housing associations were reported to have responded well to the requirements to produce an AES, and the standards were high, but the statements did demonstrate some weaknesses, including the lack of identified non-cashable gains and limited evidence of resident involvement in efficiency issues.
- 3.5.9 In November 2006, the Housing Corporation announced that the 2006 AES returns confirmed the performance trends set out the year before and indicated that these were set to continue into 2008.
- 3.6 The future**
- 3.6.1 Looking to the future, it is clear that efficiency pressures are likely to be maintained on housing associations providing supported and sheltered housing.

- 3.6.2 The Government's efficiency agenda is set to continue beyond 2008. Forecasts for future growth in public spending are tight and the Chancellor's 2006 Pre-Budget Report made it clear that the Housing Corporation would be expected to make efficiency savings of at least 18% in its overall spending programme between 2008 and 2010.
- 3.6.3 The pressures on public spending and the ongoing encouragement for more strategic commissioning also point to a future in which administering authorities will continue to be expected to make more efficient use of Supporting People funding. Having seen the benefits achieved by the Value Improvement pilots, the Government now plans to roll this out as a national improvement programme from April 2008. It is particularly concerned to achieve:
- ┆ More accessible and better co-ordinated services
 - ┆ Rationalisation of service delivery models
 - ┆ More consistent service specifications and quality of service
 - ┆ Tools and techniques for market research, capacity building and benchmarking (particularly in the voluntary and community sectors); and
 - ┆ Model procurement documentation and procedures
- 3.6.4 Amongst the stated aims of the Supporting People National Value Improvement Programme are:
- ┆ To establish how authorities can continue to improve the overall value for money offered by Supporting People services and outcomes for service users whilst driving out inefficiencies from within the programme
 - ┆ To work with Local Strategic Performance Partnerships to ensure that Supporting People fits into the emerging National Improvement Strategy - a central component in the new performance framework arrangements for supporting the delivery of excellent Local Area Agreements - and the Comprehensive Spending Review 07 efficiency measurement process.
- 3.6.5 From an efficiency perspective, the Programme is intended to be designed to:
- ┆ Ensure improved outcomes for individual service users through the delivery of more efficient higher quality Supporting People services
 - ┆ Encourage Commissioning Authorities to adopt commissioning and procurement strategies that acknowledge both individual choice and the value of a diverse market. It will have explored new approaches to contracting and procurement of SP services including 'Partnering' and investigated how different models can be adopted to encourage and involve black and ethnic and small specialist providers. It will encourage the adoption of existing good practice approaches including the use of single model contracts for joint commissioning of services between Social Care and SP teams
 - ┆ Ensure dissemination of positive practice across government through regional champions, and regional improvement and efficiency partnerships.
- 3.6.6 Increasingly, particularly in the case of sheltered housing, local authority contractual arrangements involve both Adult Social Care and Supporting People funding. The removal of the ring fence on Supporting People funding in 2009 is likely to lead to commissioning in this area being combined with Adult Social Care commissioning. Even

greater pressure on Supporting People services may result, given the possibility of more limited resources if funding is diverted to other (non-SP services) due to particular local priorities. New commissioning and service review practices may also be introduced, with a particular emphasis on the commissioning of community services via stronger PCT and local authority partnerships and a better alignment of funding arrangements, a greater focus on preventative programmes, planning cycles within an outcome-based performance framework and joint performance assessment and inspection regimes.

3.7 Why is there a drive for efficiency?

- 3.7.1 What lies behind the Government's drive for greater efficiency in the public sector is the desire to see public funds go further, to be put to maximum use and derive maximum benefit. It is important to stress that it is efficiency gains that are being sought, not savings – housing associations are able to reinvest the gains achieved back into service delivery. Associations are also expected not to sacrifice quality in order to attain efficiencies.
- 3.7.2 The drive for efficiency within Supporting People has a different emphasis, in that it is not only about making the funding go further – to deliver existing support services as cost-effectively as possible and thereby release funds for service expansion or new services – but is also about enabling the Government's Supporting People budget to be reduced. Again, however, it is important that service quality is not harmed by the introduction of efficiencies.
- 3.7.3 But drivers for efficiency should not be seen as simply external factors. Organisations benefit from being internally driven towards achieving efficiencies too, as this aids innovation, cuts out waste, assists continuous improvement and adds to an organisation's attractiveness as a potential partner in the provision of services.
- 3.7.4 With an emphasis on using efficiency gains to improve frontline services, there are clear benefits for service users too. An organisation can make use of gains to increase staff time spent with service users or to broaden services to encompass larger numbers or a wider range of users. Service users, in turn, can find the organisation is easier to deal with than others, and with more of a focus on tackling the issues that are important to them.
- 3.7.5 Indeed, looking to the future, there is an additional reason as to why support providers should be clear about their costs and strive to be efficient. Both the Government's Green Paper on social care and the White Paper *Our Health, Our Care, Our Say* emphasise the importance of commissioning and set down challenges for health and social care commissioners to allow greater control and determination to those who use and rely on services. The Government has been keen to promote the use of individualised budgets and service users being able to exercise choice in determining how their support needs are best met. Developments in health commissioning may also impact on future commissioning of care and support services. With the likelihood of such developments increasing in future, it is in support providers' interest to be in a position where they can demonstrate efficiency and show transparency of costings in relation to this new type of commissioner – service users themselves.

3.8 What this means for housing associations providing supported and sheltered housing and support services

- 3.8.1 Within the current operating environment of target rents, costs rising faster than income, increased customer and stakeholder expectations and sector commitment to playing a part in 'In Business' and the Government's development programme for social housing, housing associations are actively pursuing ways of increasing their efficiency and effectiveness.

- 3.8.2 For associations involved in the provision of supported and sheltered housing, the pressures are arguably greater still. In order to retain and develop their support services, associations must offer value for money, both in terms of their overheads and their frontline services, and they must be able to demonstrate service outcomes and their worth. At the same time, they need to ensure they do not risk their service quality, or their financial viability, in order to remain competitive in the support market.
- 3.8.3 This Toolkit is designed to help such associations attain and demonstrate efficiency in the provision of support services. The remainder of the Toolkit looks in detail at what steps are needed to improve efficiency – how to establish your approach towards achieving efficiencies, ensure you know your costs, measure performance, benchmark costs and performance, involve service users and staff, improve costs and performance, go about contract tendering and negotiations, and address service and organisational change. In addition to providing guidance as to how these areas are best addressed, the sections also contain examples of how they have been successfully tackled by individual associations providing supported or sheltered housing.

4 What is Efficiency?

4.1 Introduction

- 4.1.1 This Toolkit section explains what efficiency is and the difference between 'cashable' and 'non-cashable' gains.

4.2 Efficiency in everyday life

- 4.2.1 Efficiency is the measure of how much effort is needed to achieve a required outcome.
- 4.2.2 An engineer will tell us that a machine is efficient when it produces a lot of output for low input. This may seem rather technical, but most of us are already familiar with this concept; it is exactly this principle that we are discussing when talking about how many miles per gallon (mpg) our cars will do. The output is the distance travelled and the input is the petrol. The more miles the car will go for the same amount of petrol, the more efficient the car is.
- 4.2.3 Without necessarily realising it, we regularly consider the concept of efficiency in many other ways:
- ⌋ Efficient homes are those that use less energy to heat them. Here the input is gas or electricity, while the output is warmth
 - ⌋ An efficient colleague is one who produces plenty of required outcomes (for instance, satisfied customers) with low levels of input (his or her time)

4.3 Efficiency at work

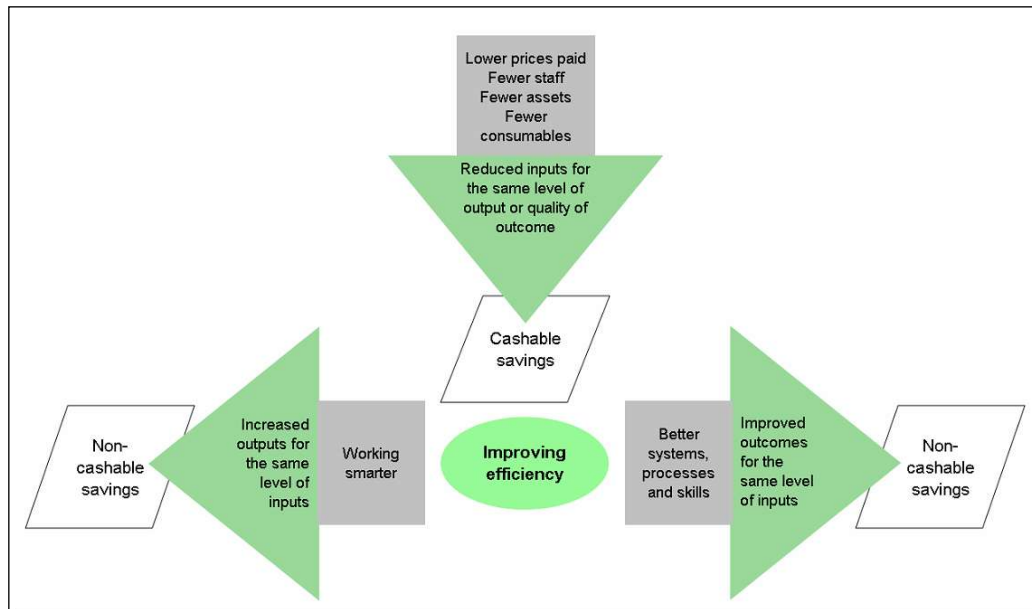
- 4.3.1 In his report *Releasing Resources to the Front Line*, Sir Peter Gershon defines efficiency in the public sector as:

"Making the best use of the resources available for the provision of public services."

- 4.3.2 He describes efficiencies, (i.e. improved efficiency) as: "those reforms to delivery processes and resource utilisation that achieve:
- ⌋ Reduced number of inputs (people or assets) whilst maintaining the same level of service provision
 - ⌋ Lower prices for the resources needed to provide public services
 - ⌋ Additional outputs, such as enhanced quality or quantity of service, for the same level of inputs
 - ⌋ Improved ratios of output per unit cost of input
 - ⌋ Changing the balance between different outputs aimed at delivering a similar overall objective in a way which achieves a greater overall output for the same inputs"

- 4.3.3 This understanding of efficiency is illustrated by **Figure 1** below. This shows that, when considering approaches to improving efficiency in housing and support services, there are many aspects of service delivery to consider:

Figure 1 – Improving efficiency



Improving efficiency through reducing inputs

- ⌋ Reducing the prices paid for staff or consumables
- ⌋ Using fewer consumables
- ⌋ Reducing the numbers of staff needed

Improving efficiency through increasing outputs

- ⌋ Working smarter – developing new ways of working that produce greater output for each member of staff

Improving efficiency through increasing outcomes

- ⌋ Improving the systems and processes used in the delivery of services, (i.e. changing **what** people do)
- ⌋ Improving the skills of staff, (i.e. changing **how** people do it)

- 4.3.4 This is not to say, of course, that all of the approaches are necessarily desirable in any given situation – but they should all be considered in any thorough approach to improving efficiency.

4.4 Cashable and non-cashable efficiencies

4.4.1 Efficiency gains can be 'cashable' or 'non-cashable'. These are defined as follows¹:

Cashable gains are those that transparently release resources that can be reallocated elsewhere.

Non-cashable gains are those that lead to increased quality or quantity of service outputs.

Cashable gains

4.4.2 Cashable gains arise through either using fewer resources to achieve the same outputs or by reducing the cost of the resources used. For example:

- ┆ Improved productivity, (e.g. through maintaining outcomes with reduced staff numbers)
- ┆ Improved procurement, (e.g. through greater economies of scale or lower prices)

Non-cashable gains

4.4.3 Non-cashable gains arise through increasing the quantity or quality of outputs or outcomes without increasing costs. For example:

- ┆ Changes in working practices leading to fewer defects and/or increased user satisfaction
- ┆ Improved transactions, (e.g. faster and/or more accurate processing of rent or service charge payments)
- ┆ Increased productive time, (e.g. reduced absenteeism)

¹ *Housing Association Annual Efficiency Statements: A guidance note* (Chartered Institute of Housing)

5 Self Assessment Questionnaire – How well are you managing efficiency?

5.1 Introduction

5.1.1 The following exercise is an exemplar only and is not intended to list all possible efficiency measures. The questionnaire is probably best answered by a group of people and can be used as a starting point for discussing your approach to efficiency.

5.1.2 Important questions to ask of your organisation:

5.1.3 Give yourself one point for each 'Yes' answer to the questions below.

5.2 Efficiency strategy

1. Does your organisation have a formal efficiency/value for money strategy or plan?
2. Has your organisation adopted a range of well-defined efficiency targets covering the range of relevant activities it undertakes?
3. Does your organisation's Board or Management Committee receive at least an annual report of efficiency initiatives taken and improvements gained?
4. Does your organisation's senior management team receive at least an annual report of efficiency initiatives taken and improvements gained?
5. Is there a senior manager in your organisation who has specific overall responsibility for improving efficiency?

5.3 Efficiency awareness

6. Has your organisation undertaken measures in the last year to engage all relevant staff in discussion of efficiency issues and to inform or remind them of their individual responsibilities?
7. Does your organisation regularly analyse the efficiency of its activities and compare these with each other and/or with the activities of other organisations?
8. Does your organisation use benchmarking forums to share approaches to efficiency and to learn from other organisations?
9. Does your organisation have an environmental (or similar) policy that gives clear guidance on reducing unnecessary consumption?

5.4 Efficiency initiatives

10. Do you have at least one senior person scanning the external environment for efficiency initiatives that could affect your organisation (for instance: procurement consortia, good practice seminars, benchmarking opportunities, new suppliers)?
11. Is your organisation a member of at least one purchasing consortium?
12. In the last three years, has your organisation conducted a review of working practices within at least two departments or services with a view to improving outputs, (i.e. volume of service)?

13. In the last three years, has your organisation conducted a review of working practices within at least two departments or services with a view to improving outcomes, (i.e. quality of service)?
14. In the last three years, has your organisation invited competitive tenders for at least two of its most significant supplies, (e.g. agency staff, energy supplies, maintenance contractors)?
15. Have all staff with responsibility for managing budgets been suitably trained in doing so?

5.5 Efficiency improvements

16. Can your organisation demonstrate that it has made an overall efficiency gain of at least 1% over the last year? (Score 1 point for each whole % gain)
17. Has your organisation received an award or accreditation for efficiency, (e.g. Carbon Trust Innovation Award, Energy Efficiency Accreditation Scheme or Environment Agency Water Efficiency Award)?

5.6 Your efficiency score:

- 5.6.1 Count the number of 'Yes' answers you gave (and the points awarded for question 16).
- 5.6.2 **Over 12** – Excellent. Your organisation has obviously taken efficiency seriously and has introduced a good range of initiatives aimed at being efficient. But don't be complacent – make sure that you regularly monitor your organisation's efficiency and aim for continuous improvement.
- 5.6.3 **6 - 12** – You are doing better than some organisations and have taken some valuable steps towards improved efficiency. However, your organisation still has work to do in order to have a comprehensive approach and be truly efficient.
- 5.6.4 **0 - 5** – Oh dear! Your organisation is really lagging behind in the efficiency drive and may well be about to fall foul of inspection and regulation. Those initiatives you have taken either are not producing results or are too ad hoc. You need to introduce an efficiency plan and take serious steps towards implementing it. Start by ensuring you have an efficiency strategy in place and a senior manager with lead responsibility for making your organisation more efficient.

6 Introduction to Efficiency (A PowerPoint Presentation)

7 Developing an Efficiency Strategy

7.1 Introduction

7.1.1 This Toolkit section covers what should be included in an organisation's Efficiency Strategy² and what is needed to ensure that the strategy is progressed ([see Website Links section](#)).

7.2 Adopting a co-ordinated approach

7.2.1 Many staff, teams or departments within organisations have made excellent gains in efficiency through their own initiatives – and these are to be applauded. However, for your organisation to address the efficiency agenda seriously, it needs a co-ordinated approach – a strategy setting out what it aims to achieve and how it will go about this. Where housing associations are concerned, the Audit Commission considers the existence of such a strategy as a minimum requirement in its *Key Line of Enquiry (KLOE) No.32 – Value for Money within Housing*³ ([see Website Links section](#)).

7.2.2 The strategy should be adopted by your organisation's Board or Management Committee and should establish:

- ! The organisation's aspirations with respect to efficiency
- ! A statement of the various drivers for efficiency within the organisation
- ! Measurable efficiency targets – covering both cashable and non-cashable gains
- ! A range of initiatives to be adopted across the full range of the organisation's activities
- ! Timescales and specific responsibilities for implementing this efficiency action plan
- ! How cashable savings are to be used
- ! A reporting framework that will enable the organisation to monitor its progress in achieving the targets and to take corrective action where necessary

7.2.3 Development of the strategy should involve input from staff at different levels within the organisation and from service users – production of the strategy purely from within a head office is likely to overlook significant potential efficiency gains that are clearly seen from the front line or from outside the organisation.

7.2.4 Ideally, you should be aiming to establish an efficiency culture at all levels across the organisation. This should lead to efficiency aspects being considered as a matter of course at key points in the organisation's 'working life' – when business planning, budget-

² Sometimes referred to as a Value for Money Strategy (see *Embedding Value for Money in Housing Association Services*, published by the Chartered Institute of Housing and Housemark in 2007 and available as a download from <http://www.cih.org/policy/EmbeddingValue.pdf>)

³ The Audit Commission's Housing Efficiency Innovations Project Showcase website page contains several examples of efficiency good practice identified during Audit Commission inspections (go to <http://www.audit-commission.gov.uk/housingefficiency/showcase.asp>).

setting, reviewing contracts, consulting with service users, carrying out staff appraisals, etc.

7.3 What are your constraints?

7.3.1 In preparing its strategy, the organisation should consider the constraints it faces. These may be **resource** constraints or **ethical** constraints. For example:

- | What resources can it reasonably devote to achieving efficiencies? These should always be proportionate to the likely gains to be achieved
- | Are there steps that the organisation is not prepared to take, for example renegotiation of salaries or purchasing supplies that involve excessive transportation?

7.3.2 If your organisation faces resource constraints, it may wish to consider bringing in external resources, (e.g. consultants or temporary staff) to help deliver its efficiency strategy, or it may need to pursue its plans at a slower pace by spreading the work over a longer period of time.

Figure 2 – The strategy cycle



7.4 Efficiency champions

- 7.4.1 Most people in your organisation are likely to have day-to-day concerns that don't involve regular consideration of efficiency – supporting service users, recruiting staff, maintaining buildings, collecting rents, etc. Therefore, to give your efficiency strategy any chance of success, you will need an “efficiency champion” – somebody who has specific overall responsibility for implementing the strategy and monitoring and reporting progress. The efficiency champion should be a senior manager – ideally a member of the management team – or even a Board member.
- 7.4.2 Larger organisations may decide to appoint a number of secondary champions – for example, one within each main department of the organisation.

7.5 Raising awareness

- 7.5.1 Although having an efficiency champion is essential, this person will never be able to identify the full potential for efficiency within your organisation. As with risk management and quality management, maximum efficiency will be gained when staff throughout the organisation are involved in identifying opportunities for efficiencies (see Section 8 of this Toolkit for suggestions as to how to achieve this).
- 7.5.2 Furthermore, very few efficiencies will be identified and suggested by staff unless there is a general awareness that such suggestions will be welcomed. For this reason, you should consider ways to raise efficiency awareness throughout the organisation. Examples might include:
- ┆ Regular mentions of efficiency in staff bulletins, newsletters or your intranet
 - ┆ Efficiency champions periodically participating in discussions at team or departmental meetings
 - ┆ Awards for best ideas, initiatives or successes

7.6 Action planning and setting targets

- 7.6.1 In drawing up an action plan and setting efficiency targets, organisations should consider their priorities and direct effort accordingly. Efficiency priorities might be influenced by a range of factors, for instance:
- ┆ External pressure – e.g. from regulators or commissioners
 - ┆ Desire for quick wins
 - ┆ Perception of likely areas of worst inefficiencies
- 7.6.2 Whatever the drivers for efficiency, it will be important to ensure that the targets and the timescales for achieving them are realistic and that the work involved in achieving them is proportionate to the desired outcomes.
- 7.6.3 Targets should, of course, be SMART (specific, measurable, achievable, realistic and time-bound). They should also be challenging, although not to the extent of being unrealistic. It is important to recognise that achieving some targets may require a longer term than others.
- 7.6.4 In addition to determining targets and timescales, specific individuals should be allocated responsibility for achieving them. These people should then be required to report progress at appropriate intervals. It goes without saying that the individuals appointed

should be in a suitable position of authority to be able to make the changes that are needed in order to achieve the targets.

7.6.5 Before implementing efficiency initiatives, your baseline should be established. This is a statement of your organisation's current position against which improvements will be measured. The baseline should be prepared in consultation with the individual "owners" of your various targets in order that they understand and accept your baseline statement and to avoid disagreement later about what was the starting point.

7.6.6 The baseline should be stated using a range of measures appropriate to the various targets adopted, for example:

- ┆ Unit costs
- ┆ Customer satisfaction levels
- ┆ Output rates – e.g. support hours provided per member of staff or the number of invoices processed per week

7.7 Monitoring progress

7.7.1 To ensure that your efforts are worthwhile, you will need to monitor progress – i.e. the efficiencies achieved. Your efficiency champion should be given responsibility for monitoring responsibility across the organisation and – more importantly – reporting it to the management team and Board.

7.7.2 Progress reports should be succinct and easily understood and should specifically report progress towards the targets set in the strategy. Reports should cover:

- ┆ Progress to date
- ┆ How progress has been achieved
- ┆ Any significant negative effects arising from initiatives undertaken
- ┆ Any significant problems encountered in pursuing targets and how these are to be overcome
- ┆ If applicable, early warnings of any failure to achieve targets

7.7.3 For housing associations designing monitoring reports, it is desirable to take account of the suggested format of the Annual Efficiency Statement required by the Housing Corporation. In this way, you will be able to minimise the need for double reporting of the same information.

7.8 Reporting and reviewing

7.8.1 Progress should be periodically reported to your organisation's Board. In the light of these reports, the Board might wish to:

- ┆ Continue with the strategy
- ┆ Re-allocate resources to different strategic plans and actions
- ┆ Re-prioritise strategic targets and actions
- ┆ Revise efficiency targets (upwards or downwards)

- ⋮ Revise timescales (longer or shorter)

7.9 A Strategy Checklist

- 7.9.1 The checklist on the next page sets out the likely elements of a typical efficiency strategy and is intended to help you to assess whether these are in place at your organisation and to identify action points.

EFFICIENCY STRATEGY CHECKLIST

Heading	Content	Is this in place?	Action Points/Notes
Introduction	Why the organisation is adopting this strategy	Yes/No	
Key objectives	A summary of the organisation's main aims in adopting this strategy	Yes/No	
Efficiency performance to date (optional)	An overall assessment of what the organisation has done to date in order to run efficiently, how successful this has been and the challenges that remain	Yes/No	
Constraints	Any constraints in terms of ethics or resources the organisation has taken into account in drawing up this strategy	Yes/No	
Each activity area	<ul style="list-style-type: none"> a) Baseline statement b) Efficiencies to be sought through planned actions c) SMART efficiency targets d) Timescales e) Responsibilities f) Decision-making body (where relevant) g) Monitoring and reporting arrangements 	Yes/No	
Overall responsibility	The people with overall responsibility – at both executive and governance levels – for ensuring the strategy is followed and its objectives are met	Yes/No	
Strategy review arrangements	The process and timescales for monitoring and reviewing this strategy	Yes/No	

8 Involving Staff and Service Users

8.1 Introduction

8.1.1 When efficiency strategies are being planned or reviews being carried out, it will be beneficial if an organisation looks to involve staff and service users. This section of the Toolkit looks at why it is worthwhile to do this and the various ways to go about it.

8.2 The frontline perspective

8.2.1 Staff and service users bring an important frontline perspective to the need for efficiencies. They will have a view on such matters as:

- ! Where processes get in the way of service delivery
- ! What works well and what doesn't
- ! What the organisation's service priorities should be
- ! Where time is wasted
- ! Where there is scope for efficiencies in the ways in which services are delivered

8.2.2 Frontline staff are also arguably the best placed to identify risks in efficiency proposals and suggest alternative solutions.

8.2.3 A good efficiency strategy will involve staff at all levels – both front line and management – and service users. This should ensure a rounded approach with a strong customer focus, one that helps morale and engenders a sense of achieving common aims for common gain.

8.3 Involving staff

8.3.1 Staff can be involved in exercises aimed at achieving efficiencies in a number of ways:

- a) Questionnaires: Staff can be usefully surveyed as to which aspects of their own or the organisation's work they feel could be carried out more efficiently and where they feel time and effort is currently wasted.
- b) Suggestions box: A suggestions box placed in an office can be used on an ongoing basis or linked to particular reviews to encourage staff to contribute ideas as to how the organisation could improve its working practices. For larger organisations, a dedicated email address for receipt of ideas can perform the same function.
- c) One-to-one or focus group discussions: One-to-one interviews can be held with staff involved in an area under review or focus group discussions held to elicit ideas on achieving greater efficiency.
- d) Brainstorming: Brainstorming on ideas for efficiency can form a useful part of group discussions – people's thoughts can spark each other's off and lead to particularly creative solutions.
- e) Spot checks and quality audits: Staff can play a useful role in carrying out spot checks and quality audits of services provided by the organisation that they themselves are not directly involved in. This also facilitates cross-learning across the organisation.

- f) Best Value reviews⁴: The Best Value process is intended to review and improve the quality and cost effectiveness of services in meeting the needs of service users ([see Website Links section](#)). The Best Value review process involves application of the following components (known as the four 'C's):
- Challenge — this element involves fundamental challenge of a service, including whether it should be provided at all. This component runs through the Best Value process as 'challenge' can emerge from consultation, comparison and competition.
 - Consult — consultation with service users is one of the key objectives of the Best Value process. Other stakeholders, including staff and external organisations with an interest in the service under review, should be consulted as well.
 - Compare — making comparisons will help to identify whether services need to improve their performance and whether they are cost effective.
 - Compete — Best Value is also about cost effectiveness and the process can be used to make services more competitive and to identify those that may benefit from being outsourced.
- g) Networking: Staff will often know where best practices operate through their contacts with other professionals providing housing, care and support services.
- h) Formal representation: Representation of staff at various levels (frontline as well as management) on review teams is useful for ensuring an ongoing staff viewpoint as reviews develop, maintaining communication links and helping to ensure staff understanding and buy-in to the outcomes.

8.3.2

It is important that timely feedback is given on how suggestions made by staff have been responded to. In some instances, this may involve the production of regular updates.

CASE STUDY: ROYAL NATIONAL INSTITUTE OF BLIND PEOPLE (RNIB)

Another way of involving staff in efficiency work is by providing them with training aimed at improving their skills and working practices. RNIB have developed the Visibly Better accreditation programme, aimed at ensuring that organisations can offer an exemplary service for sheltered housing residents who are blind or partially sighted, enabling them to live more independently in their accommodation.

Organisations that join the Visibly Better accreditation scheme have access to a range of training materials, including the training manual 'Older People and Sight Loss' covering:

- vision and ageing
- understanding sight problems
- coping with sight loss
- daily living activities

⁴ The Best Value framework is intended to drive the continuous improvement of services in meeting the needs of service users. The Housing Corporation's Regulatory Code expects that housing associations will use Best Value techniques to continuously improve their services and to make services more customer focused. The Housing Corporation publication *Best Value: housing and support* is a useful guide to the application of Best Value in the context of support housing.

- orientation and mobility
- the environment.

(Alternatively, organisations may commission RNIB to deliver bespoke training that covers all of the above topics but also includes the emotional impact of sight loss and guiding techniques.)

The accreditation also involves an examination of communication and information, and training on internal and external environmental improvements, as well as a verification visit.

When Visibly Better was piloted by a selection of sheltered housing schemes, residents benefited from better communication within their home (for example, all communications were written in large print). Staff, backed up by their training, were able to recognise residents with sight problems which had previously not been diagnosed and to get medical attention or other appropriate support systems for them. Through staff understanding more about the needs of older people with sight loss, clients could be enabled to regain some independence and therefore needed less assistance with everyday tasks. For example, tenants finding their own way around the communal areas of the scheme meant that staff had more time to spend on other aspects of their work.

More information about the accreditation scheme can be found at www.rnib.org/visiblybetter

8.4 Involving service users

8.4.1 For housing associations, involving residents in the efficiency agenda is a clear expectation of the Audit Commission's *Value for Money KLOE 32* as it helps ensure customer focus and embed a value for money culture. But how to involve residents and service users most effectively is up to associations and their managing agents. It requires training, resources and support, and initiatives to engage those who are harder to reach.

8.4.2 Service user involvement is helpful when an organisation is:

- ⋮ Setting the priority areas to be reviewed as part of the strategic programme
- ⋮ Looking to generate ideas about where efficiencies can be made and value added as part of service reviews
- ⋮ Making decisions about procurement of non-technical services
- ⋮ Aiming to achieve the correct balance between quality and cost
- ⋮ Seeking views on changes to service delivery methods
- ⋮ Setting minimum standards for services
- ⋮ Devising and monitoring quality cross-checks ⁵

⁵ Under the Annual Efficiency Statement (AES) process, quality cross-checks are required to demonstrate that service quality is not diminished as a result of efficiency gains. The cross-checks must cover specific frontline

- ‡ Establishing the baseline positions on service quality
- ‡ Monitoring trends on an ongoing basis
- ‡ Identifying priorities for the reallocation of cashable efficiency gains

8.4.3 However, service user involvement is likely to be less valuable when an organisation is considering achieving efficiencies through back office rationalisation or back office activities, e.g. treasury management. Organisations should decide where service user involvement can have most impact and ensure it is cost effective.

8.4.4 Housing associations have used Housing Corporation Performance Indicators in their AES's and some have added satisfaction survey data. However, associations cannot rely solely on STATUS surveys to capture evidence from residents that service quality has been maintained, as they are normally produced on a three-year cycle and quality cross-checks must be conducted annually. It is vital to assess baseline resident satisfaction, and then to check post-review results, with any service area that is subject to efficiency review and change.

8.4.5 Service user involvement ensures a continued focus on quality at the same time as efficiencies are being sought. Service user satisfaction measures are key indicators of quality, while involving service users in efficiency reviews can clarify which services are of most importance to them and where they consider efficiency gains can be made that do not involve a loss of quality and may even add value.

8.4.6 Service users can be involved in efficiency exercises in similar ways to staff:

- a) Questionnaires: Surveys of service users can be carried out in a number of ways, using detailed questionnaires (or postcards for briefer, more focused questioning), by telephone or email. Organisations have often found it helpful to incentivise returns of postal questionnaires, e.g. by putting senders of completed questionnaires into a prize draw.
- b) Suggestions box: A suggestions box in an office reception area frequented by service users, or a dedicated email address, can be a useful means of obtaining their views on the scope for, or impact of, efficiency measures on an ongoing basis.
- c) One-to-one or group discussions: Interviewing individual service users, holding service user focus groups, or using panels of volunteer service users to discuss efficiency issues can also be helpful.
- d) Brainstorming: Where a group of service users is gathered together, a brainstorming exercise on how the organisation could provide services more efficiently may prove useful.
- e) 'Mystery shopping', spot checks and quality audits: Service users can play a very useful role in mystery shopping exercises (the collection of performance information on an organisation through people posing as ordinary members of the public) and in carrying out spot checks and quality audits on services, ensuring a customer focus.
- f) Formal representation: Service user representation on review panels, e.g. during Best Value reviews (see 8.3.1.f above), is also useful in ensuring continuous input from a

services if savings have been made in these areas. Housing associations can devise their own quality crosschecks, but should involve residents in the process.

service user perspective throughout the review process and helps deliver outcomes that are efficient without quality being sacrificed.

- 8.4.7 As with staff, it will be important that service users are kept informed as to how the organisation is responding to their suggestions, underlining that their views are important and can make a difference.
- 8.4.8 Particular attention may need to be given as to how best to involve service users who are particularly vulnerable and difficult to communicate with or unused to being asked their opinions. It will be important that any information distributed to service users should be easily understood by them and tailored to their needs. The use of advocacy services can assist in drawing out opinions from particularly hard-to-reach groups and in feeding back the organisation's responses to suggestions made.
- 8.4.9 When considering efficiency measures, organisations should aim to give service users a role in:
- ▮ Review of performance data
 - ▮ Review of informal feedback and complaints
 - ▮ Service inspections, spot checks and mystery shopping
 - ▮ Setting service standards
 - ▮ Finalising efficiency proposals

CASE STUDY: SPRINGBOARD HOUSING ASSOCIATION

At Springboard Housing Association, an area office based staff member used to visit each of the association's sheltered housing schemes for a couple of hours each day. This arrangement was conducted on a rota basis, with individual staff working one week on duty (including emergency out-of-hours callout) and one week off.

Both residents and staff felt this system needed to be improved. Residents experienced minimal consistency, often having to go over issues again from one week to the next. It was an inefficient use of staff time, as it involved a lot of driving around from one scheme to another, while the essential car user allowance this entailed was passed on to residents as a service charge. The staff concerned also reported little job satisfaction.

Springboard consequently proposed to change the management arrangements through the provision of Senior Support Workers at each scheme for 20 hours per week, backed up by an area-wide on-call support service for the rest of the week. In making these proposals, it was reckoned the new service would have a number of benefits including:

- It would clarify individual scheme responsibilities and lead to a consistent approach across areas
- On-call staff would be used more effectively
- The Association's Supportline service would cease incurring financial losses
- There would be an overall annual cost saving to the Association.

Following a pilot exercise, where two schemes were served by the same member of staff each week for a year, and consultation with sheltered housing residents and staff (who were generally supportive of the proposal), the changes were implemented. This has resulted in increased resident satisfaction; higher morale, job satisfaction and 'ownership' amongst staff; and a projected budget saving of some £84,000 in the first year of operation.

- 8.4.10 Service user input is a precious resource and therefore service user input should only be sought where it really is relevant and likely to lead to better outcomes. It needs to be carefully nurtured; many organisations create incentives around service user involvement, e.g. shopping vouchers in return for attendance at meetings. It also requires good communication so that, for instance, service users are always made aware of the outcomes of their involvement. Involving service users in tackling the efficiency agenda should be viewed as one approach in more generally embedding service user involvement in organisational culture (other aspects may involve tenant or service user surveys; consultation via email, focus groups or sounding boards; the establishment of project or estate-based groups or tenants associations; capacity building of local groups or organisations representing particular needs; production of tenant or service user newsletters; training events; repair satisfaction slips; etc.).

9 Knowing your Costs

9.1 Introduction

9.1.1 This Toolkit section aims to help you to identify the true costs of running your services, as well as your overall organisation costs.

9.1.2 In order to consider whether your individual services and activities represent an efficient use of resources, you must be able to define and identify those costs associated with each service or activity. This allows costs to be monitored and reported in a like-for-like manner, inefficiencies to be identified and actions taken to improve the situation. It enables you to compare costs with income and, from that, any aspects of your activities that are effectively being cross-subsidised by another. Activity-based costs can also be used:

- ! In business planning, when considering which elements of your business to expand or contract
- ! When pricing services for tenders or contract renegotiations (see section 16 of this toolkit)
- ! When reporting to separate commissioners of jointly funded services

9.1.3 The key elements to knowing your costs are:

- ! A reliable accounting system
- ! A well thought-out accounting structure
- ! Realistic budgets
- ! Timely monitoring against budgets
- ! Prompt investigation of variances from budget
- ! Regular re-forecasting

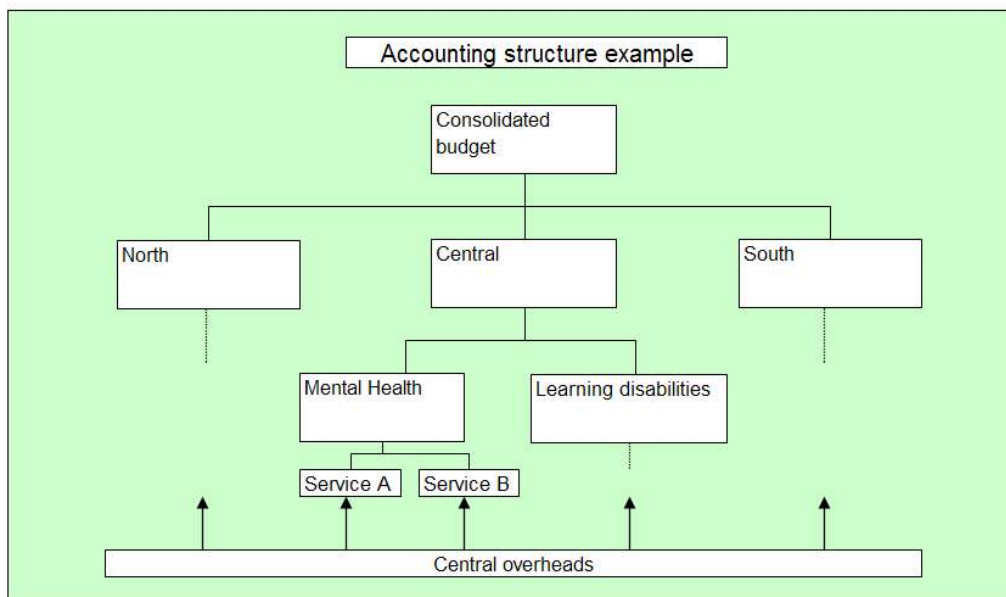
9.2 Accounting systems and structures

9.2.1 Accounting systems must be reliable, flexible (for instance, be able to facilitate overheads allocation in different ways) and secure. Modern computer accounting systems are designed to record all accounting transactions at a detailed level and provide the user with a 'drill-down' facility to enquire about the composition of particular aspects of each account.

9.2.2 This detailed information is then used to build up through the accounting structure to provide summary information for financial reporting purposes.

9.2.3 The key to a successful accounting system is to properly think through the design of an appropriate chart of accounts which will aggregate the detail and create 'pyramids' of financial data through the adoption of an accounts coding mechanism. In this way, it is possible to group data for reporting purposes at the appropriate levels for the organisation. Balance Sheet and Income & Expenditure Account items can therefore be aggregated through the coding system from detailed daily accounting transactions.

- 9.2.4 When considering accounting structures, it is important to take into account both internal and external reporting requirements. This is particularly important for accommodation-based supported housing services, where costs which are aggregated for internal reporting may need to be split out for external reporting, for instance to Supporting People teams. In such cases, the purchase of a flexible accounting package and implementation of a properly designed accounting structure will allow reports to be directly generated from the accounting system, reducing the requirement for detailed spreadsheet analysis at a later stage. Where supported housing represents a small proportion of a housing association's overall activity, the accounting structure is often designed around general needs housing, with an attempt made to slot supported housing into the structure at a later date. Due to the more detailed reporting requirements for supported housing, this seldom works. It results in a confusing picture, with costs combined under headings that are inappropriate for supported housing.
- 9.2.5 The design of the accounting structure should involve staff working at transaction level for receipts and payments, as well as those responsible for managing services and for accounting to commissioners of support services.
- 9.2.6 In order to properly control and record costs, it is vital that the organisation puts in place robust procurement procedures, including appropriate authorisation of expenditure. Financial procedures must also be in place to ensure that costs are properly coded to the correct service and accurately put onto the accounting system. Without these basic controls and arrangements in place, all attempts at achieving accurate activity-based costing will fail.



- 9.2.7 Accounts and services may be grouped into what are known as 'cost centres' (for example, by area, budget holder, service type or other groupings appropriate to the organisation) as shown in the diagram above.
- 9.2.8 Reporting at cost centre level allows comparison between different service types or areas. Reporting at this level will assist the organisation to identify types or areas of activity which are operating more efficiently than others, either because they involve lower costs, or because (by being combined with output reporting) they demonstrate that better outputs are being achieved for the same costs.

- 9.2.9 Central overheads, such as senior management, finance and IT, are normally accounted for in separate cost centres and then reallocated to front line services through various apportionment methods. Efficiency considerations in respect of overheads are addressed in more detail in the section on overheads below.

9.3 Budgeting

- 9.3.1 No organisation can accurately predict the future, but having a robust budgeting process helps to reduce the level of uncertainty, anticipate problems, learn from the past and improve your ability to control the organisation.
- 9.3.2 Having an understanding of the common budgeting problems will help to ensure that budgeting processes and procedures work. Factors to consider as part of any budgeting process are shown in the table below.

Budgeting – Factors to be considered

Involve the right people

- ⌋ Budgets for supported housing are complex and require the involvement of different parts of the organisation, for instance scheme managers, divisional directors, human resources, maintenance.
- ⌋ Information must be properly shared during the budgeting process (e.g. all relevant budget detail should be shared with budget holders)
- ⌋ Responsibility for budgets should only be placed with people who have the authority to control outcomes (e.g. centrally commissioned maintenance costs should not be in a local project manager's budget)

Create realistic budgets

- ⌋ Budgets should be realistic and achievable, based on past performance. Where the budget incorporates expectations in excess of current performance (for instance, much higher levels of rent collection), there needs to be a clear plan in place to achieve the improved performance
- ⌋ Budgets should be set in the context of the association's Business Plan, Reserves Strategy and loan covenants (e.g. if the Business Plan is based on a 2% salary rise across the board, a particular project cannot be awarded 5% without a corresponding lower rate being applied elsewhere)
- ⌋ Again, the involvement of people from different part of the organisation is likely to assist in budget creation, although it will be important to be clear which budget-setting areas individuals have responsibility for and those they do not
- ⌋ As staffing costs are likely to make up the bulk of a budget for a supported housing service, it is particularly important to check that staff numbers and costs under consideration from one year's budget to the next are accurate and take account of contractual obligations with funders
- ⌋ Whilst the budget and actual performance in the current year should be used as a guide, there should also be periodic 'zero based' budgeting, during which historical assumptions and performance are subject to challenge and review by setting up a budget from scratch
- ⌋ At least 3 months should be allowed to prepare the annual budget
- ⌋ Important assumptions should be agreed with the Board well in advance of the budget setting process, for instance the method of apportioning overheads to each service/area of activity
- ⌋ Have a regular rolling 12-month budget, reforecast at least quarterly to take account of the previous 12 months' actual spends
- ⌋ Spreadsheet budget templates with clear guidance should be used to obtain budget forecasts from budget holders. This enables consistent presentation and understanding of budget information

Use budgets effectively

- ┆ Budgets should be phased on a quarterly basis for later monitoring, treating fixed and variable costs appropriately. For instance, greater fuel costs should be budgeted for winter months
- ┆ Regularly updated budgets should be used to manage resources efficiently against up-to-date targets
- ┆ Management accounts should be prepared for the use of budget holders, managers and the Board. The Board should consider whether this should be on a monthly basis, or if quarterly accounts might still allow effective control whilst creating a more efficient process.
- ┆ Reporting formats to budget holders, managers and the Board should reflect their different levels of interest and ensure that they are as concise as possible, whilst also being in sufficient detail for the particular audience
- ┆ Effective systems need to be in place for early reporting of budget variances to budget holders, managers and the Board
- ┆ Separate budgets should be prepared for capital and revenue expenditure

9.4 Capital budgets

- 9.4.1 Capital budget considerations for supported housing will be broadly the same as those for capital activities generally. The capital budget will deal with the purchase and funding of housing and non-housing assets.
- 9.4.2 Planning for the capital budget involves assessing the organisation's capacity to borrow and raise finance to fund property development and will be fed from the capital expenditure programme, which will detail planned capital works to existing properties. The plan will take account of the organisation's procurement rules. (See Toolkit Section 13 for more information on procurement.)
- 9.4.3 The organisation will set a level for capitalisation of fixed assets, and any expenditure on fixed assets above this level, for example computer or project equipment, will be included in the capital budget for the year.
- 9.4.4 Forecasting and purchasing from the capital budget will be closely linked to the procurement procedures addressed in Section 13.

9.5 Revenue budgets

- 9.5.1 The preparation and monitoring of revenue budgets in supported housing is governed by the range of activities involved in a supported housing project and the different funding sources for those activities.
- 9.5.2 Revenue budgets should be prepared using current year budget and outturn figures as a guide, taking account of reasons for over or underspends against budget, and including any efficiency targets. Periodically (every 3-5 years), a complete 'zero based' review of budgets, assessing costs from scratch should be carried out.
- 9.5.3 Care and support services sometimes involve a variety of funding streams, all of which may need to be accounted for separately at the request of commissioners. Typically, for

instance, a revenue budget for a supported housing scheme would consist of individual revenue budget lines grouped under the following headings:

- ┆ Staff and related costs
- ┆ Maintenance
- ┆ Housing Management
- ┆ Eligible services
- ┆ Ineligible services
- ┆ Support
- ┆ Care (if applicable)
- ┆ Central overheads

9.5.4 Eligible services as referred to above are those eligible to be paid by Housing Benefit (HB) where an individual is entitled to such benefit. Ineligible services will not be paid for by HB and remain the responsibility of the individual.

9.5.5 For budgeting and reporting purposes, particularly in terms of reporting to commissioners, staff costs and central overheads will normally be apportioned between the other headings. In terms of reviewing efficiency at individual scheme level, this is not necessary, as each type of cost will be considered separately. However, it will be relevant when preparing a budget for tendering purposes ([see Toolkit Section 17](#)).

9.5.6 The following sections show how costs are typically allocated to the headings listed in 9.5.3. This is not intended as an exhaustive list and there may be cases where certain costs are more appropriately split between headings or allocated to different headings to those shown, depending on the nature of the project and of the expenditure.

9.6 Staff and related costs

9.6.1 For staff working solely at the scheme, staff costs should include:

- ┆ Salary
- ┆ On-call costs
- ┆ Sleep-in costs
- ┆ On costs (Employers NI, Pension)
- ┆ Other benefits (health cover, accommodation, etc.)
- ┆ Agency staff or own staff bank costs

9.6.2 Staff related costs will include:

- ┆ Training costs
- ┆ Recruitment costs
- ┆ Travel costs

- 9.6.3** It is important to bear in mind that these costs may need to be apportioned across a number of headings. Staff may be working across a number of the expenditure groups identified below, and to correctly identify the total costs in those areas the appropriate staff cost must be allocated to that area. For instance, you can have projects where staff are responsible for provision of support, care and housing management services, in which case their costs need to be apportioned across all three areas. A number of approaches can be used to determine the basis for such apportionment, i.e. timesheet exercises, staff surveys, or assumptions based on managers' experience.
- 9.6.4** There may also be staff and related costs which will be split between services, for instance where an area manager is responsible for six services and her/his salary and other associated costs are split between those services.
- 9.6.5** Staff and related costs normally make up the largest proportion of regular costs on supported housing schemes and are therefore a vital area for review in terms of efficiency. In order to accurately record and analyse costs in this area, it is important the organisation selects robust payroll and HR packages which are able to support the general ledger structure. This will prevent time-consuming spreadsheet analysis and journal entries to reallocate costs.
- 9.6.6** To optimise the salary budget, the organisation must reach a position where salaries, benefits and working conditions are sufficient to retain staff and minimise recruitment and agency staff costs. If the cost of permanent staff is set below this level, then the saving on permanent staff will be outweighed by additional agency and recruitment costs.
- 9.6.7** Also, where employment terms and conditions are set below the optimum level, staff are likely to be dissatisfied and this may well lead to sickness rates being higher, again pushing up agency costs.

9.7 Maintenance

- 9.7.1** The maintenance section of the budget should include all cost related to the maintenance of the fabric of supported housing buildings, i.e.:
- ┆ Day to day maintenance
 - ┆ Planned maintenance
 - ┆ Major repairs
- 9.7.2** Maintenance costs will be recovered through a housing association's core rent, although core rents will be subject to the Housing Corporation's rent setting regime, rather than based on the association's direct costs.
- 9.7.3** Maintenance should be the subject of detailed maintenance plans, policies and procedures and be regularly reviewed for efficiency in terms of procurement, pricing and contract management.

9.8 Housing management

- 9.8.1** Housing management costs will include:
- ┆ Housing management policy formulation and implementation costs
 - ┆ Tenancy related costs
 - ┆ Rent setting and collection costs

- ┆ Costs of tenant consultation on housing related matters
- ┆ Property insurance costs
- ┆ Administration costs relating to housing and maintenance

9.8.2 Housing management costs should be recovered through the core rent, although the ability to do this may be limited by the Housing Corporation's rent-setting regime.

9.8.3 Other than tenancy matters carried out by local staff, it is generally the case that the majority of housing management costs, such as rent collection, insurance and administration, will be incurred by central departments and will be recharged as overheads (see 9.13 below).

9.9 Eligible services

9.9.1 Eligible services include:

- ┆ Communal utility costs
- ┆ Communal water costs
- ┆ Communal cleaning and window cleaning
- ┆ Maintenance of communal equipment (lifts, alarms, etc.)
- ┆ Pest control
- ┆ Communal television and telephone costs
- ┆ Depreciation of communal equipment
- ┆ Administration costs relating to services

9.9.2 The costs of eligible services should be recovered through service charges. Eligible service charges will be met by HB where an individual is entitled to HB.

9.9.3 In budgeting for utility costs, it is important to review costs at two levels - the unit cost level and the cost to that particular service. In the case of electricity costs, for example, it may be possible through a procurement exercise (see Toolkit Section 13) to negotiate a more efficient price per KWH of electricity. By comparing services, however, it may be evident that one service is using comparatively more electricity, perhaps through wastage, inefficient equipment, etc. The comparison between services at the budgeting stage can be used to highlight such anomalies for further investigation.

9.9.4 A comparison with last year's outturn figures is particularly useful for properly ascertaining service costs. Organisations are often slow to get to grips with inefficiencies in the area of service costs, particularly in the case of utilities. Variances from budget, often due to under-budgeting or misallocation, may go uninvestigated, as utility costs are sometimes viewed as being beyond the control of budget holders. Accurate budgeting is therefore important to highlight consumption and pricing issues.

9.10 Ineligible services

9.10.1 Ineligible services are service costs incurred in individual rooms/flats including:

- ┆ Utilities

- ┆ Water
- ┆ Cleaning
- ┆ Food and catering costs

9.10.2 The costs of ineligible services should be recovered through service charges. Where the individual in question is in receipt of HB, the ineligible charge has to be met by the individual. Whilst the actual ineligible charge deducted is subject to limits set by HB, the total costs identified under ineligible services will need to be recovered through service charges, or through additional charges to residents, to ensure full cost recovery.

9.10.3 A key consideration in this area is the cost of producing meals in services where such provision is made. When considering the true cost of producing meals in-house, it is necessary to take account not only of the food and kitchen staff costs, but of the fuel costs, cleaning materials, the cost of kitchen equipment and cost of management time spent in this area. It may well be the case that this true cost does not compare well with that of an external service.

9.10.4 With supported housing, however, savings are not the only concerns in terms of efficiency. Again, the issue of meal preparation is an example of this. Whilst it may be cheaper to use an external meals provider at a learning disability service, this has to be weighed against the outcome for service users who will benefit from working with support workers to produce meals as part of life skills training. Unless there are such qualitative benefits associated with in-house provision, however, outsourcing to a cheaper service should be considered.

9.11 Support

9.11.1 The major part of the cost of providing the support element will be the staff costs as set out in 9.6.1. Other direct support costs may include:

- ┆ Travel costs related to support provision
- ┆ Mobile phone costs
- ┆ Translation costs
- ┆ Support-related IT costs
- ┆ Costs of service user consultation on support matters
- ┆ Administrative costs directly attributable to support

9.11.2 Support costs are funded through Supporting People, subject to local eligibility criteria. These generally place restrictions on the level of non-staff costs and overheads that can be recovered through SP funds.

9.12 Care

9.12.1 Where a service provides care in addition to support, for example in some learning disability and frail elderly services, care costs should also be grouped separately. Again, the principal costs of care will be staffing costs. Other direct care costs may include:

- ┆ Welfare costs
- ┆ Counselling and therapy costs

- ┆ Medical costs (e.g. dressings, incontinence pads)
- ┆ Protective clothing and hand gel
- ┆ Administrative costs directly attributable to care

9.12.2 Care is generally funded through local authority Adult Social Care budgets. The purchase of care will be subject to the local authority's commissioning procedures.

9.13 Overheads

9.13.1 Overheads are those costs incurred centrally, rather than at front line service level. These will include central costs, such as senior management, finance HR and IT, and may include other costs incurred centrally such as insurance, training, etc. Overheads may arise at more than one level; for example, there may be an area office where some of these functions are carried out in addition to head office activities.

9.13.2 In most organisations, overheads are recharged to individual or groups of front line services using a number of overhead apportionment methods. Different methodologies may be more suitable for different types of overheads. Some examples are given in the table below:

Overhead Type	Apportionment basis
Finance department	Turnover
Rents team	Units of accommodation
Support services management team	Service users
Buildings Insurance	Valuation of buildings
HR Team	Staff headcount
IT Team	Number of computers

- 9.13.3** The reapportionment of overheads gives a bottom line surplus or deficit for services. This basis allows for direct comparison between services.
- 9.13.4** Many organisations adopt a basic approach to apportionment using, perhaps, just turnover or units as the basis for apportionment of all costs. Where there are a number of different central departments and a diverse range of services, however, a more considered approach to apportionment will give a fairer view of the real costs of running a service.
- 9.13.5** Overhead apportionment methodologies in mainstream housing associations are often contentious, with supported housing managers often feeling that services pick up an unfairly large proportion of overheads, usually due to higher front line staffing levels, when much of an association's central resources are, in practice, devoted to other parts of the business. For this reason, many organisations work on a marginal costing basis, setting targets for contributions towards overheads. The contribution to overheads is the income from the scheme less the direct costs of the scheme as defined above. These contribution levels may vary, dependent on the type of scheme and the organisation's overall Business Plan.
- 9.13.6** In terms of contracting requirements, particularly for Supporting People, it is necessary to have some form of overhead apportionment to services to prevent under-pricing. For the purposes of tendering for new services in particular, the full cost recovery basis should normally be followed ([further information on pricing services for tendering is contained in Toolkit Section 17](#)). You should be aware that, although not normal accounting practice, several Supporting People teams treat any surplus shown on services as an additional overhead cost.
- 9.13.7** In looking at efficiency, and in appraising the value of new services, though, the apportionment of overheads to a service is considered to be largely irrelevant. Apportionment to services is always subjective; therefore the correct comparison between services is that of direct costs with reference to service type, size, outputs and outcomes. Overheads are best reviewed at the level of the cost centre before reallocation, e.g. Central Office, Finance, etc. It is also the case that, where central costs are fully reapportioned to services and central cost centres perform inefficiently, these costs are passed on to services, resulting in apparent underperformance in the service.
- 9.13.8** Organisations often, therefore, account for services by looking at the surplus generated before overhead apportionment. This is known as the "contribution" to fixed costs.

9.13.9 Different overhead apportionment approaches and the ways in which service performance is judged under each of these approaches are shown below:

Figure 3 - Overhead apportionment approaches

	Marginal costing	Partial recovery	Full cost recovery
	Income	Income	Income
Less	Direct costs	Direct costs	Direct costs
=	Contribution	Contribution	Contribution
Less		Overheads as a % of income or costs	Proportion of fully reallocated central overheads
=		Surplus/deficit after % overheads	Surplus/deficit after full cost recovery
Basis of appraising service performance	Contribution as a % of income	Surplus/deficit as % of income	Surplus/deficit as % of income
Central position costs	100% remain in central cost centre	Surplus or deficit in central cost centre after recharges	Central cost centre shows break-even after recharges

9.13.10 When assessing efficiency, each service and central department should be subject to an individual budget and monitoring requirements. They should also be subject to individual efficiency reviews using the other sections of this Toolkit.

9.14 Costs and efficiency monitoring

9.14.1 Knowing the costs of your organisation's different activities is particularly important when monitoring and reporting efficiency savings. The Housing Corporation requires that all lead regulated housing associations produce an Annual Efficiency Statement (AES) which must be signed off by their board. RASA associations (currently those with less than 250 homes) should report their efficiency gains through existing regulatory arrangements.

9.14.2 In order to report efficiency gains, an association must be able to determine its baseline and current costs under each of the work streams defined in the AES form. These are:

- ┆ Capital works
- ┆ Management and maintenance
- ┆ Commodities
- ┆ Other

9.14.3 Whilst it is likely that further analysis will be required in order to produce costs for AES purposes, consideration of these requirements is recommended when designing the accounts structure. The adoption of an accounting and reporting structure similar to that

described above should allow extraction of AES data, including reallocation of overheads between the various work streams, with minimal extra work.

- 9.14.4 Full guidance on preparation of the AES is given on the efficiency page of the Housemark website ([see Website Links section](#)).

Checklist of Key Budgeting Factors

Preparation	Yes/No	Action
Does your budgeting process involve all budget holders including: Senior and divisional managers? Scheme managers? Human resources? Maintenance?		
Is there a budgeting pack with guidance clearly stating requirements from budget holders and organisation wide assumptions?		
Do budget holders understand the pack and what is required or has training been arranged?		
Have organisation wide assumptions been agreed at the appropriate level?		
Is the level of detail provided in the budget pack sufficient to allow users to accurately budget for the next year?		
Do those staff who are being asked to prepare budgets for business areas have the ability to control spend in those areas?		
Are staff encouraged to budget for what they need rather than over budgeting?		
Is the budgeting timetable sufficient to allow proper completion of the process?		
Review		
Are budgets reasonable in the light of past performance, or is there a clear plan to justify improved performance?		

Is there a convincing argument for the employment of any proposed additional staff?		
Have Business Plan assumptions been reflected in the budget and does the overall budget meet Business Plan targets?		
Has the budget been prepared on a zero based basis in the last three years?		
Are budgets reviewed and reforecast if necessary every three months?		
Are budgets properly phased to allow for seasonal and other variations?		
Reporting		
Are budgets used to effectively manage resources against targets?		
Are management accounts prepared at appropriate time intervals?		
Do the management accounts give the appropriate level of detail for each class of budget holder?		
Are variances from budget properly analysed and detailed in the management accounts?		
Are budget holders required to investigate, explain and take action on variances above defined limits?		
Do the Board/Management Committee and senior management effectively monitor material variances and the actions taken to correct them?		
Are budget holders made aware of the fact that they do not necessarily need to spend all of their budget and that the organisation overall may be more efficient if they don't?		
Are budget holders aware that the following years budget will not be based purely on spend this year, but on requirements for the next year: therefore under spends will not necessarily lead to a lower budget in the following year?		

10 Knowing your Performance

10.1 Introduction

10.1.1 In achieving efficiencies, organisations need to ensure that service quality is retained and, where possible, improved. In order to examine this, you need to first of all know how your services are performing at present so that this can be compared with how your services perform following the introduction of efficiency measures. This section of the Toolkit shows you how to achieve this. Having accurate information on performance is also useful when it comes to benchmarking or demonstrating and improving service outcomes (see Sections 11 and 14 of this Toolkit).

10.1.2 For housing associations involved in care and support provision, it is important to recognise that it is not just this area where performance needs to be assessed. The Chartered Institute of Housing publication *Housing Association Annual Efficiency Statements: A Guidance Note* ([see Website Links section](#)) emphasises that associations should understand how well they are performing in a number of areas, viz:

- ┆ Housing management and maintenance
- ┆ Capital works
- ┆ New development
- ┆ Social cohesion, regeneration and community development
- ┆ Supporting people and other business streams
- ┆ Customer involvement and satisfaction
- ┆ Treasury management
- ┆ Use of resources (including specific reference to commodity procurement)

10.1.3 There are, of course, different ways of measuring performance, e.g.:

- ┆ Unit prices (e.g. Cost per transaction, cost per commodity)
- ┆ Outputs per week / per month / per full time equivalent staff member
- ┆ % satisfaction
- ┆ % or no. of failures (e.g. Court cases lost, it breakdowns, arrears that become bad debts)
- ┆ Response times (e.g. for property maintenance, it support, service user complaints, staff recruitment, telephone answering, etc.)

10.1.4 It will be up to each organisation to determine the most relevant means of measuring performance. This may often be based upon how commissioners and regulators measure performance, but can also, for example, be built upon service standards agreed with staff and service users.

10.2 Making use of existing data

10.2.1 Organisations providing care and support will already have data to draw upon that examines the performance of individual services:

! **Supporting People performance data:** Providers of services funded through Supporting People are obliged by the Communities and Local Government Department (CLG) to make regular returns to local authorities showing (depending on the type of service):

- § Numbers of service users
- § Planned moves from temporary accommodation
- § Availability of accommodation-based services
- § Service utilisation levels
- § Throughput
- § Quality Assessment Framework (QAF) self-assessments

CLG have also devised a performance framework specifically geared towards provision of community alarm services which also measures response times. There may be other performance data available on your organisation's support services, as individual local authorities can add to CLG's data collection requirements as they feel fit through their contractual arrangements with service providers. Quality data also exists on Supporting People services in terms of QAF assessment reports and the ratings given to individual services.

! **Residential care data:** Most providers of residential care services will have performance expectations built into their contractual arrangements with local authorities and be expected to report on these on a regular basis. A typical set of performance expectations might cover the following areas:

- § Service utilisation levels
- § Staff recruitment and training
- § Protection from abuse
- § Service feedback
- § Care plans and reviews
- § Accidents and incidents

Further performance information will exist in the form of Commission for Social Care Inspection (CSCI) inspection reports. Under CSCI's 'Inspecting for Better Lives' proposals, quality ratings will be published for inspected services, while care providers will be required to produce an annual quality assurance self-assessment.

! **Housing management data:** Your housing association will also already collect data on its housing management performance; a number of key performance indicators are likely to be monitored within the association over the course of each year, particularly where this data is to be incorporated into a Regulatory and Statistical Return (RSR) or annual financial return (FV5) to the Housing Corporation. In addition to other statistical data, the RSR and FV5 – which are made use of by the Audit Commission in their inspections – require the following performance information to be recorded in relation to supported housing:

- § Void properties (both available and unavailable for letting)
- § Rejection of statutory and homeless nominations
- § Evictions
- § Demotion of tenancies to assured shortholds
- § Anti-social behaviour orders and injunctions
- § Decent homes standard compliance
- § Responding to repair requests
- § Void losses, rent arrears and bad debts
- § Management costs per unit
- § Average and target rents and service charges per local authority

! **Access data:** Information on who, in terms of age, gender and ethnicity, is accessing your association's supported housing and other Supporting People funded services is already collected for the Supporting People Client Record system and for Supported CORE, which covers supported housing lettings by housing associations and local authorities

10.2.2 Organisations should aim to monitor such data on a service by service basis. This acts as a form of internal benchmarking; one service's performance can be compared against the others' and outliers – individual services that are performing exceptionally well or exceptionally poorly in some areas compared to others – can be identified and the reasons for this looked into and lessons applied more widely or corrective action taken.

CASE STUDY: CASA SUPPORT

Casa Support is an RSL providing housing related support and care to almost 2,500 service users in London, Kent, Surrey and East Sussex. It has developed its use of performance data to compare the results achieved by individual services and achieve improvements in poorer performing services by learning from those demonstrating best practice and better performance.

Casa Support generates housing management and financial data on a weekly and monthly basis. Data available at individual service level includes:

- Current and former tenant arrears
- Current and former tenant prepayments
- Void loss
- Write offs
- Rent collection rates
- Lettings data
- Gas servicing performance
- Actual v budgeted income and expenditure

Performance relating to the provision of support is produced and reviewed at service level each quarter, based on Supporting People PIs. Support outcomes data is also being added to the data generated at individual service level.

Casa Support has used this performance data to improve services or make decisions about future service configuration, e.g.:

- 1) Varying performance in its 19 sheltered housing schemes in Kent, particularly in the areas of void loss, relet time and customer satisfaction led to a review of the causes of the performance differentials. The review identified areas of good practice that could be better shared and implemented within other schemes. Ultimately, it also led to a decision to close or reconfigure some of the services.
- 2) Monitoring the QAF grades achieved in its Supporting People services and assessing the reasons for variations in performance helped identify services demonstrating excellent practice that could then be transplanted into other services. It also highlighted differences in the approach taken by different staff teams to the completion of the QAF self assessment forms, enabling a more uniformly effective presentation of our self assessments. This work also led to a new key indicator being added to Casa Support's internal scorecard, measuring the percentage of services whose QAF reviews improve by at least one grade on their previous review or which maintain Grade A.

10.3 Creating new data

10.3.1 In recent years, the Audit Commission and Housing Corporation have reduced the numbers of key performance indicators they require housing associations to produce, but they have done this with the expectation that associations will collect and benchmark other data at a local level.

10.3.2 As with all other exercises aimed at achieving efficiency, benchmarking processes need to be proportionate. You should therefore try and work with existing data collected by your organisation as far as possible and keep new data needs to a minimum, particularly as the latter will take additional time and resources to collect. Always ensure the data collected relates to the same timescales, e.g. financial year, quarter dates, monthly, etc., so that reports are compatible and comparable over time.

10.3.3 When agreeing on new data to be collected within your organisation, it is worthwhile involving service managers and frontline staff in discussions on what are the key performance indicators that are presently not collected. Any new data needs to be fairly easy to gather and truly measurable and indicative of performance.

10.3.4 In its management paper *On Target: the practice of performance indicators* ([see Website Links section](#)), the Audit Commission describes a common way of developing performance indicators based around 'the three Es' – economy, efficiency and effectiveness. The basic measures when constructing the three Es are:

- ! Cost – the money spent to acquire the resources
- ! Input – the resources used (staff, materials and premises) to provide a service
- ! Output – the service provided, e.g. in terms of tasks completed
- ! Outcome – the actual impact and value of the service as delivered.

10.3.5 The Commission also notes that some organisations add a fourth E – equality or equity – which is intended to capture the degree to which access to a service is equitable and whether a service is appropriate to the needs of all potential users.

10.3.6 A related approach to ensure a balanced representation of a service is the differentiation between quality, cost and time, where 'cost' reflects the financial side of an organisation's activities, 'quality' captures the features of a service and 'time' covers the responsiveness and speed with which the service is delivered (Measuring Up, CIPFA, 1998: [see Website Links section](#)).

10.3.7 Another Audit Commission management paper, *Aiming to Improve: the principles of performance measurement*, is aimed at helping public sector managers to develop and use effective performance measurement as an important component of strategic and operational management, and builds upon the lessons learned by the Commission and the ideas of other experts in the field ([see Website Links section](#)).

10.4 Evaluating and using data

10.4.1 With the data gathered in, you will be able to evaluate how your services are performing and to compare individual services against one another. Again, it will be important to involve staff in getting behind the findings – is a particular service really performing poorly in comparison with another, or are there particular explanations for the findings? But there will be useful lessons to be learnt too – e.g. which is your most efficient service and why?

10.4.2 It will be important to put the data to use in other ways too. Collection of performance data means you can set targets for improved efficiency or performance on an individual service basis, then monitor actual performance against those targets. Cascading findings throughout your workforce and publicising the successful achievement of targets are important elements in ensuring your organisation develops a high performance culture.

CASE STUDY: ST BASILS HOUSING ASSOCIATION

St Basils is a specialist charitable housing association based in Birmingham, providing a range of short-term housing and support services for young people, aged 16-25, who are homeless or at risk.

The approach of St Basils to efficiency is embedded in a culture of making the very best of the limited resources it has. The primary focus has to be on the outcome St Basils is trying to achieve and then working back to the best, most effective and most efficient way of doing it.

In 2004, Birmingham City Council approached St Basils to discuss how the association might assist them to reduce the high levels of young people presenting as homeless in certain parts of the City. This was resulting in high levels of young people being placed in emergency accommodation, which is both expensive and ineffective.

St Basils carried out some research in a number of areas, looking at levels of presenting, community resources, demography of the population, housing options, etc. In discussion with the Council's Housing Department, it was agreed there would be a focus on one particular area for a pilot scheme.

The pilot combined schools-based mentoring sessions, using St Basils' tried and tested Schools Training and Mentoring Programme (STaMP), which involves young people as peer educators and mentors; and access to the association's Family Mediation Team and a Home Options worker. A trained Family Mediator was based in the local community centre, STaMP sessions were booked with local schools and the Home Options worker was based full-time in the Council Housing Department's neighbourhood office. The pilot ran for a period of nine months and was independently evaluated. In this period, the level of young people placed in emergency accommodation reduced by 92%.

The pilot resulted in 150 young people being diverted from Bed and Breakfast accommodation, thereby saving the Council some £25,000 per week. The approach has since been rolled out across Birmingham, albeit not in the same intensive way everywhere as there are differential homelessness issues in different communities and neighbourhoods.

Not only were demonstrable cost savings achieved and St Basils' support services expanded as a result, but young people were diverted from having to experience homelessness as a form of accessing social housing.

11 Using Benchmarking to Improve Efficiency

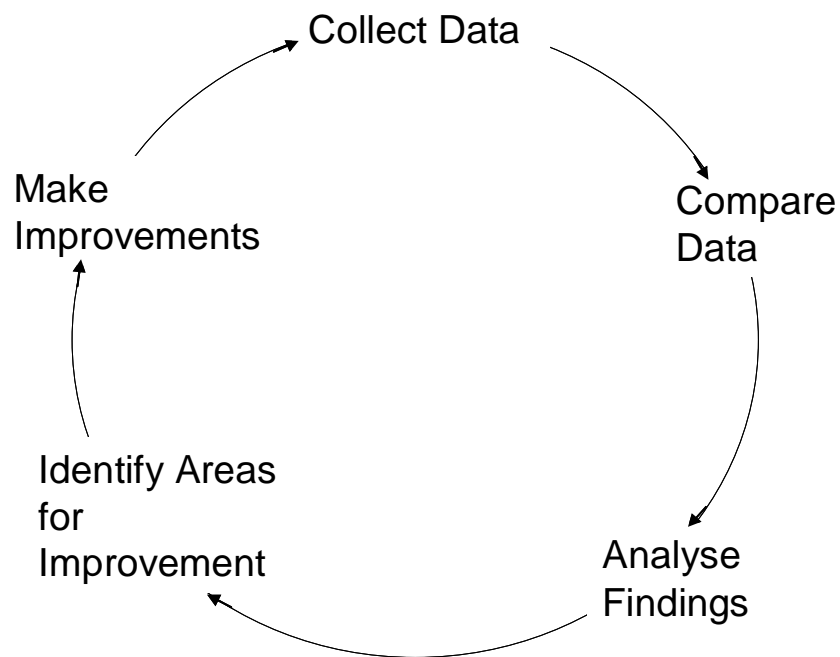
11.1 Introduction

11.1.1 Benchmarking can help an organisation to establish where individual services are positioned in terms of costs and performance compared to its own or other organisations' services, highlight best practice, and point to where it would be useful to discuss cost and performance issues with other organisations, i.e. those coming out on top in benchmarking exercises. This Toolkit section describes how to go about it.

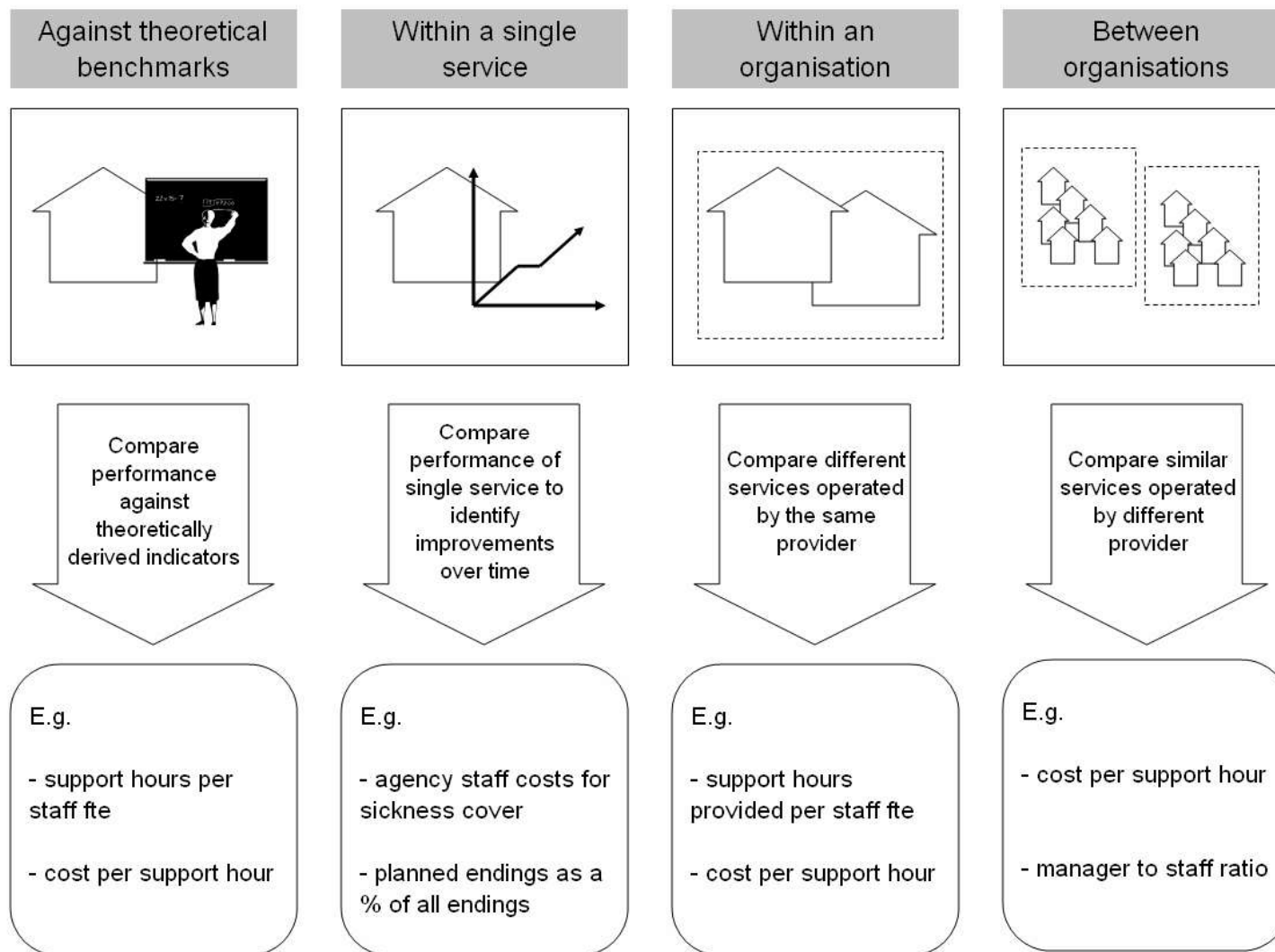
11.1.2 Before embarking on an internal or external benchmarking exercise, it is important to be clear about which aspects of your organisation's activity you wish to benchmark, whom it would be useful to benchmark with, the resources needed to carry out benchmarking and what you plan to do with the information once you have it (for it to be an efficient exercise in itself, benchmarking should have a clear purpose and use and the inputs involved should be proportionate to the potential gain). You need to ensure that the costs or performance you intend to benchmark are reliable and valid indicators of the things you want to compare (see Sections 9 and 10 of this Toolkit).

11.1.3 The benchmarking process operates like this:

Figure 4 – The benchmarking process



Approaches to benchmarking



- 11.1.4 While this section of the Toolkit is primarily about data comparison, it is important to bear in mind that benchmarking of processes and practices can also usefully be carried out as a means of doing things in better ways (reducing inputs) and improving outcomes. (For further information on process benchmarking, see Toolkit Section 12.)

11.2 Internal benchmarking and making use of publicly-available data

- 11.2.1 If your organisation has a sufficient number of care and support services, internal benchmarking (i.e. comparing the cost and performance data, processes and practices of individual services against others that the organisation operates) can be a very useful exercise and can avoid the need for specific external benchmarking exercises which can often be time-consuming and require significant resourcing.

- 11.2.2 There is too some publicly available data against which organisations can compare their performance without the need to resort to specific benchmarking exercises. Each of these is discussed below.

11.3 Housing Corporation data

- 11.3.1 Performance data collected by the Housing Corporation is published periodically on its Housing PI's website ([see Web Links section](#)) and includes data from associations' Regulatory & Statistical Returns, financial returns, CORE logs and AES's. Apart from the AES information (which is only supplied on a general basis), it is possible to look up the performance of individual associations and also to compile groupings of associations against which to compare your own performance. However, it is not possible to pull out performance indicators for supported housing activities alone except where specialist associations are concerned. The Corporation also produces analyses of subsets of data on this site; the 2005 report on supported housing and housing for older people, for example, presents data on stock holdings, rent levels and voids and lettings. From 2007, the Corporation intends to change its housing association PI's to include more of a customer focus, looking at issues such as tenant satisfaction with the quality of repairs, landlord's services and landlord response to their views.

- 11.3.2 The website also publishes Operating Cost Index (OCI) information for the largest housing associations in England (excluding specialist associations), which can be used as a tool for associations to see how their cost base compares with others'. The OCI also provides the opportunity to identify peer groups with similar drivers of costs and a starting point to examine comparative cost effectiveness. Two versions of the operating cost index are formulated for each of two categories of associations (stock transfer and traditional associations). The first index is calculated on the basis of total operating expenditure including both capitalised and revenue major repairs spend. The second index is based on total operating costs excluding major repairs spend and provides additional information. A briefing note explains how the index is calculated and the cost drivers used, while a ready reckoner workbook enables you to see how the OCI is calculated for all associations in the analysis, including specialist associations. The workbook contains a brief user guide and definitions sheet, and, by selecting an association using the ready reckoner, you can analyse its results and see how they were calculated. Alternatively, you can adjust the figures to see how changes to the underlying data affect the results.

11.4 Communities & Local Government Department data

- 11.4.1 CLG produce reports arising from Supporting People Local System (SPLS) data collected from local authorities. This is not broken down to an individual service or provider level, however, so is of not much practical use for benchmarking purposes by organisations providing support services (although it will give you an idea of average costs and performance within a local authority or regionally). CLG has, however, funded the setting

up of a benchmarking system operated by the National Housing Federation, SITRA and Housemark (see the case study below for more information).

CASE STUDY: NHF, SITRA AND HOUSEMARK

In the current competitive Supporting People commissioning environment, the ability to demonstrate that services provide value for money and have some intelligence about the local market is critical. To help providers assess value for money and improve efficiency, SITRA in partnership with HouseMark and the National Housing Federation developed a Benchmarking Tool, funded for the first two years by the Communities and Local Government department (CLG).

The tool developed enables providers to compare costs, quality and performance with other similar providers, by entering scheme-specific data in a common format. Providers then receive a report which allows them to analyse and compare their services. The project has been successful, and in its second year saw a 36% increase in the number of services submitted - almost 3,500 services returned their information compared with 2,500 the year before. Housing associations accounted for 49% of participating providers, while a further 34% were charitable or voluntary sector organisations. The other 17% were a mixture of private and local authority providers.

A survey of participating organisations showed that 80% were satisfied with the range of comparisons produced. Benchmarking results were widely shared within organisations, and sometimes more widely, including Supporting People commissioners and the reports were used in a variety of ways. For example:

- Reviewing costs and effectiveness of services in comparison with other organisations, and feeding into improvements necessary for the business plan
- Negotiating increases in Supporting People income.
- During a merger, an organisation found it useful to compare Value For Money with other services across the new organisation
- The report helped one organisation to focus on which services they needed to review costs.

SITRA, HouseMark and the NHF are continuing to run the benchmarking service on a chargeable basis now that funding from CLG has now ceased. For more information about the project, contact Eileen McMullan at eileenm@sitra.org.

- 11.4.2 Individual SP authorities take differing approaches to the availability of performance information – some are willing to publish and share data, while others are not. Where data is available, this can be very useful in helping determine how your organisation's support services are performing in comparison with others' locally.

11.5 Audit Commission data

- 11.5.1 The Audit Commission website ([see Web Links section](#)), reproduces Housing Corporation performance indicator information as part of its inspection reports on individual housing associations, covering such areas as stock condition and repairs performance, average rents, lettings performance, weekly unit operating costs, operating cost as a percentage of turnover, weekly investment per unit, rent collection performance,

rent arrears, voids losses and current tenants arrears. The data is shown over a number of years, indicating trends. Within the report text itself, information on tenant survey outcomes is given as well as equalities data. The 'value for money' section of an inspection report shows where an association has achieved efficiencies and can give some useful pointers to areas in your own organisation's work where efficiencies might be obtained. Where inspection reports on specialist associations are concerned, the data provides you with information which effectively relates to supported housing activities alone, although with other types of association it is not possible to distinguish supported housing data from mainstream performance data.

11.5.2 The Audit Commission website also publishes performance indicators as part of its inspection of local authorities' Supporting People programmes. These take the form of local demographic information, performance information (including comparisons of total SP provision, provision for older people with support needs and for other groups, in comparison with other geographic areas; weekly unit costs in total and per client group for accommodation-based and floating support services; the shares of spending between client groups and provider types). The costs information is particularly useful for organisations wanting to judge the costs of their services against similar types of local provision. These reports also identify how each authority is looking to achieve value for money improvements in their programmes.

11.5.3 Existing publicly available data is limited to the sources mentioned above and may not meet the benchmarking needs of your organisation, in which case a specific benchmarking exercise, tailored to the needs of the participating organisations, should be considered.

11.6 External benchmarking – deciding who to benchmark with

11.6.1 Before embarking on a specific benchmarking exercise involving other organisations, you should consider with whom you wish to benchmark. The most appropriate benchmarking will be with providers of similar care and support services in the geographical areas in which you operate, as these are likely to be the organisations whose services commissioners will compare yours against. The organisations themselves do not need to be similar to your own, it's the fact that they provide similar services to your own that's most important. Housing associations who only benchmark with other associations on care and support services, for example, only obtain part of the picture, as they are not comparing themselves with other care and support providers, e.g. private sector and voluntary organisations.

11.6.2 However, such benchmarking may not always be possible - some organisations may be concerned not to lose what they perceive as being competitive advantages, while others may be unwilling to deploy resources on benchmarking as against other priorities.

11.6.3 Anonymous benchmarking can be a means of encouraging competitor organisations to take part. This is likely to increase costs, however, as an independent third party will need to be employed to collate the information on a confidential basis, and, perhaps more importantly, it limits the value of benchmarking – you will know that someone else is performing better than you are in some areas, but you won't know who they are and will therefore not be able to talk to them about how they've achieved this and thereby gain ideas as to how improvements could be made in your own organisation.

11.6.4 Benchmarking with known, named organisations is therefore a better approach. Enlightened organisations appreciate they are unlikely to be the strongest in all cost and performance areas and that therefore there is value to be gained from benchmarking. Benchmarking can also be a useful starting point for partnership working with other providers, which may prove useful later on if more extended shared working or mergers are being considered (see Toolkit Section 18).

11.7 Which data to use?

- 11.7.1 As with all other exercises aimed at achieving efficiency, benchmarking processes need to be proportionate. You should therefore try and work with existing data collected by your organisation as far as possible and keep new data needs to a minimum, particularly as the latter will take additional time and resources to collect. Where new data is required, take time to consider what information would amount to a key performance indicator. For example, when comparing costs and outcomes of a range of Supporting People services, a benchmarking group might conclude that the key common factor is not that the services work with a particular client group, or are either accommodation-based or floating support, but that there is a similar number of contracted support hours per week per service user.
- 11.7.2 When agreeing the data to be collected with the other organisations participating in the benchmarking, it will be important to check that the basis of the data is the same in each organisation. It is important to spend time checking this out – all too often, ‘rogue’ results that become apparent at the data analysis stage can arise because the data collected at one organisation is on a slightly different basis to the data collected at the rest.
- 11.7.3 Development and use of a common benchmarking tool can help facilitate benchmarking, as the Supported Housing in Partnership case study below shows.

CASE STUDY: SHIP

Members of Supported Housing in Partnership (SHIP – a group of large and medium-sized housing associations providing supported housing in London) have compared members’ performance through benchmarking since 2001. Initially, benchmarking was based on data produced for the Housing Corporation, but in 2005 SHIP also began benchmarking performance and cost information on their housing-related support services to add to their benchmarking data on housing management.

Tribal Consulting were commissioned to develop a methodology, collate results and report on the findings. Services in the benchmarking exercise were split into several categories of supported housing, sheltered housing and floating support services based on staffing input to ensure sensible comparisons of performance between similar services. Performance data was aggregated by each of the 18 RSLs taking part for all services within each service type. Financial data was supplied by each association for one representative service within each service type; the service chosen had to have completed its SP review and had its funding approved by the SP authority.

Areas addressed in the benchmarking carried out to date include:

- Running costs
- Breakdown of costs into direct staff costs, overheads and other costs
- Surplus/deficit levels
- Staff turnover
- Four of the Supporting People PIs: staff hours delivered v contracted hours, planned departures, service users maintaining independent living and utilisation rates
- Comparisons of Supporting People administering authorities’ assessment of QAF grades and SHIP members’ self-assessed grades

SHIP members have used the benchmarking report to identify areas of good and poor comparative performance, to report results within their management and governance structures and to inform the development of their improvement plans.

The 2005 data was reported on an anonymised basis, but SHIP has decided to drop anonymity from future benchmarking as it limits the usefulness of the data and restricts the ability of poorer performing associations to learn from SHIP's higher performing members. Although the financial data based on representative budgets was useful, SHIP has also decided that future benchmarking will base financial data on aggregate figures for all services within each service type.

- 11.7.4 Benchmarking of processes, as well or instead of data, can also be a useful exercise. More information on this is given in Section 12 of this Toolkit.

11.8 How is external benchmarking best organised?

- 11.8.1 It will be important to get a commitment to benchmarking from all those involved in it – to stress the importance of it and how the end results will be used. Each organisation providing data should identify a staff member responsible for collecting it, ensuring its accuracy and dealing with any subsequent queries over it.
- 11.8.2 One of the participating organisations (or an independent body) should take responsibility for collating the data provided for the benchmarking exercise and communicating the results.

11.9 Following up benchmarking

- 11.9.1 One of the most important things to remember about benchmarking is that it's not the benchmarking itself that's important, it's what you do with the findings. Benchmarking reports should not sit on a shelf (that makes the benchmarking exercise inefficient in itself), but should be used to bring about performance improvements and to find efficiencies.
- 11.9.2 Benchmarking groups should try to learn from the best performing participants – what are they doing that your organisation is not doing? How have they managed to keep their costs down whilst providing high quality services? Rather than move rapidly from one benchmarking exercise to another, organisations should allow sufficient time to digest benchmarking findings and to take steps to act on them.

12 Achieving Smarter Working

12.1 Introduction

12.1.1 Efficiencies can also be obtained through the introduction of smarter working practices. This section of the Toolkit looks at how process mapping can be used to ensure efficient use of staff and efficient procurement processes (more information about procurement is given in Toolkit Section 13). It also addresses other ways of achieving smarter working. There are a lot of ideas here, and it is not suggested your organisation tackles them all in one go: rather, it is suggested you approach achieving smarter working in a phased manner, perhaps prioritising those areas that hold out the promise of 'quick wins' or which are likely to result in the most significant efficiency gains.

12.1.2 In assessing where an organisation is most inefficient, it is always a good idea to ask staff for their views and to take into account the views of service users. Both staff and service users are likely to have pretty well-developed views as to where services could be improved through smarter working practices. (See Toolkit Section 8 for ideas on how staff and service users can participate in identifying and measuring efficiencies.)

12.2 Ensuring the efficient use of staff

Are staffing arrangements closely matched to service user needs?

12.2.1 Service users needs and expectations change over time, referrals may start to change – care and support providers need to be on top of such developments and able to identify where these changes are taking place. It is worthwhile regularly reviewing services to check:

- ! What needs service users have and whether they have changed or are in the process of changing
- ! The types of support or care the service users and commissioners want
- ! The skills and experience required to deliver the support or care needed
- ! Whether current job role descriptions reflect these requirements
- ! When service users want support or care provided to them
- ! Whether staff are available when service users need them most
- ! Whether there is scope to combine job roles to create more efficient use of staff resources
- ! If funding is not available to deliver all the support or care that service users would like, how service users and commissioners would prioritise use of the available resources
- ! Whether staff turnover figures are reasonable

CASE STUDY: METROPOLITAN SUPPORT TRUST

Metropolitan Support Trust (MST), the care and support arm of Metropolitan Housing Partnership, identified a move towards hot desking as a means of achieving more cost-efficient services. A significant proportion of the Trust's work involved floating support, with staff often using office facilities for only one or two days a week, so a lot of desks were standing empty.

The move to hot desking took place after a consultation process with staff and was introduced as a measure that could achieve significant financial savings in a relatively painless way. MST emphasised their wish to provide a good working environment and decisions on the style of desk, office layouts and decoration were arrived at through consensus. Improved IT equipment like flat screens and kitchen equipment were introduced at the same time, while a prerequisite was the establishment of a computerised support database, minimising the use of paper systems. Each staff member is provided with their own cupboard, drawer or lockable personal space.

Space savings have been used to create small meeting rooms and 1:1 interview rooms, which has also had the added benefit of improving facilities for meetings with service users. Overspill or quiet areas have also been successfully incorporated into the new office layouts.

Desks are now shared on a 2:1 basis by almost all MST's 700 staff, and it is hoped to move to a 3 or 4:1 position once planned measures have been introduced to assist mobile working. To date, direct savings in office costs have been realised to the tune of £150,000 per annum.

CASE STUDY: COMMUNITY HOUSING GROUP

The mps information system was initially developed by Community Housing Group in 2003 in order to manage the support service provided for customers. It includes a customer database, reporting functions, a distance travelled measure and workflow analysis. mps has proved to be a valuable tool for staff and managers, enabling them to access information and track and manage workloads, for example with reminders in place for due tasks such as Support Plan reviews. The system has also produced efficiencies in administration time, generating compliance and monitoring information.

Community has recently commissioned a full re-write of the mps system to fully integrate with the Group's new Common Case Management System and to deliver the CLG Outcomes Framework. All documents relating to needs assessment, risk assessment, support planning and outcomes are an integral part of mps2, with the capacity to print report versions for signing, validation, etc. Integration of the Common Case Management System removes the need for duplicate recording of information. Mps2 provides a single access point for information on customers and can be accessed wherever staff have an internet connection.

Reviewing the geographical spread of services and its impact on staff time

- 12.2.2** Geographically dispersed services have an impact on staff time (as well as generating travel costs) and reduce the amount of face-to-face time spent with service users. It is therefore sensible for organisations to develop strategies which see care and support services contained within their core geographical area of operation or operated elsewhere only on a large-scale basis.

- 12.2.3 Where accommodation-based services are involved in outlying areas, organisations should consider (in consultation with commissioners) transferring care and support services to a local provider. There may also be the opportunity for housing associations to swap the stock with that of another association.

Use of telecare

- 12.2.4 Telecare is the use of a combination of communications and sensing technologies in order to promote service users' independence in their home and/or to provide a means of manually or automatically signalling a local need to a remote 24-hour service centre which can then deliver or arrange an appropriate response. Equipment is provided to support the individual in their home and is tailored to their needs; it can be as simple as a basic community alarm service, able to respond in an emergency, and can include detectors or monitors in relation to motion or falls, fire and gas that trigger a warning to a response centre. Lifestyle monitoring can provide early warning of health deterioration, and the same technology can be used to provide safety and security through bogus caller and burglar alarms. Such services are already used by some 1.5 million people in the UK. The potential of telecare to meet people's needs for support and independence is gaining in recognition; a Health Select Committee report on new technologies in the NHS recommended greater effort be made to strengthen the links between Health and Social Services to ensure the roll-out of these technologies in community and domestic settings.
- 12.2.5 Telecare is considered to have huge potential to support a diverse range of individuals to live at home and reduce the need for more institutionalised care or for hospital admissions. It can also give carers more personal freedom, meet potential workforce shortfalls and complement the work of clinicians and social care and housing providers to achieve outcomes that improve the wellbeing of service users.
- 12.2.6 Increased use of telecare can also lead to efficiencies in current care and support costs or services by making use of technology to increase service users' independence, enabling staffing numbers to be reduced or a freeing up of staff time, so that staff deployment can be reviewed and improvements made to other aspects of service delivery.

CASE STUDY: DANE HOUSING ASSOCIATION

Dane Housing has introduced a wide range of new telecare technologies in order to help older people, including those with dementia, to remain in their own homes for as long as possible. The installation of this technology can reduce hospital bed occupancy by preventing the resident being admitted or reduce the time the hospital bed is required by early discharge. The telecare can also prevent the need of early admittance to residential care.

Through its Home Safe project (funded by the Housing Associations' Charitable Trust), Dane installed assistive technology in the homes of 75 people, ensuring that residents and staff were involved at each stage in the process. While the clients in this pilot exercise are gradually transferring to Cheshire County Council's mainstream services, 11 have been enabled to stay at home for over three years. Dane has overcome initial scepticism from GPs and hospital discharge teams and now plans to launch its own private telecare service for residents who are not able, or choose not, to access the technology through social services.

In addition to saving on the costs involved in hospitalisation or residential care and increasing control and independence for older residents, Dane's telecare initiative has also produced improvements in respect of management of residents' health and well-being, maintaining tenancies and working practices, with clear procedures that deliver efficiencies and improve customer satisfaction.

Through this pilot and the new business with Cheshire County Council, Dane has gained experience on the use of dedicated sensors and is able to make use of customers' and carers' feedback to make constructive comments to the suppliers of the telecare equipment as part of a continual improvement process.

Reviewing use of agency staff

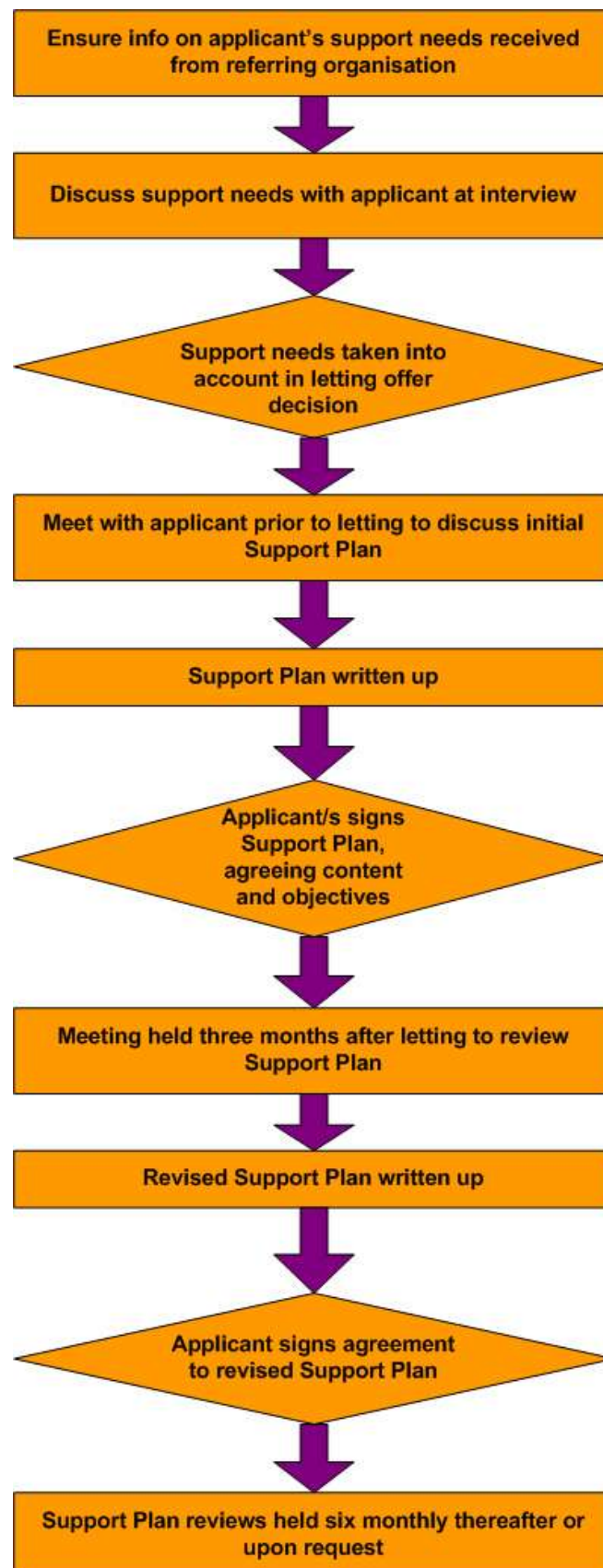
- 12.2.7 Agency staff can often be more expensive than the use of employees. It is worth regularly reviewing the level of use of agency staff to see if there is a case for operating your own staff bank system, offering staff the opportunity of additional working time, or making one or more additional in-house appointments that can be used to provide flexible cover to services. Each of these measures is likely to generate lower costs than those arising from the regular use of agency staff.

Reviewing central support services

- 12.2.8 Reviewing central support (also known as 'back office' functions) should also be carried out on a regular basis. Organisations should consider the efficiency of central support processes and how central support staff costs are allocated across departments, especially where the shape of an organisation or central support roles have changed. It is important to address whether existing arrangements offer the best value for money – could equally effective but cheaper services be gained, for example, by outsourcing or through a group structure arrangement? (See Section 18 of this Toolkit for more information).

12.3 Mapping processes

- 12.3.1 Process mapping can form an important aspect of working smarter. In deciding which processes to concentrate on, it is important to recognise that significant efficiencies are only likely to arise from changes to major processes – processes which currently take up a lot of time or cost due to the frequency in which they occur and the volume involved.
- 12.3.2 To understand how efficiencies to a process can best be made, there first of all needs to be a mapping of the process under review – one that is drawn up with input from staff and service users with experience of the process. Process mapping enables an organisation to clearly and simply record existing processes, examine them thoroughly and develop improvements by seeking to:
- ! Eliminate unnecessary tasks
 - ! Clarify roles within a process
 - ! Reduce delays and duplication, and
 - ! Reduce the amount of staff input needed to complete the process
- 12.3.3 Let us take, for example, the process of establishing a support plan in relation to an applicant for a supported housing vacancy, where, in broad terms, the current process might look like this:

Figure 5 – Support planning process

- 12.3.4** You should aim to break the process down as much as possible, so that each task in the process is clearly shown. It is useful to distinguish between activities and decisions (commonly, this is done by placing each activity within a rectangle and each decision within a diamond shape as in the example above). It can also be useful to differentiate between automated and manual processes (perhaps with a thick line for the former and a thin line for the latter). Always map what actually happens in the current process, rather than what the procedure manual says should be happening! You should also consider mapping processes that have an impact on each other, e.g. in the case of support planning you may also wish to map lettings and/or risk assessment processes in full as well.
- 12.3.5** In addition to listing the individual tasks which make up a process, you should map who is involved at each stage, as well as the average timescales. An estimate of the costs involved at each stage may also be useful.
- 12.3.6** If necessary, let your process map cross functional boundaries – it is the whole end-to-end process that needs to be viewed, not just the piece of the process inside a particular department, as improvements to one department or section do not always improve cross-department processes and managing interactions between departments is often a crucial element of process improvement.

12.4 Creating efficiencies

- 12.4.1** Once a process has been satisfactorily mapped, it should be critically examined for potential efficiencies. There are a number of useful questions that can be asked:

- ⋮ Is there any duplication of work that can be avoided?
- ⋮ Could some tasks be carried out by one person instead of several people?
- ⋮ Are there any wasteful handovers in the process?
- ⋮ Are there any bottlenecks?
- ⋮ Are delays occurring because the people who work in the process are not the decision-makers?
- ⋮ Which tasks help to achieve the purpose of the process and which ones add no value to the 'customer' or the association?
- ⋮ Is there scope for tasks that are currently performed in another process being performed here?
- ⋮ How much error correction, checking or reworking is being carried out?
- ⋮ Are there tasks which could be achieved more quickly through better use of IT systems?
- ⋮ Are tasks being carried out for the association's benefit rather than the service user's?

- 12.4.2** With the continued involvement of staff and service users with experience of the process in considering the process map, it should become clear as to where there is potential for efficiency savings, e.g. because of over-lengthy decision-making processes, duplication of staff effort, manual rather than electronic administration, lack of process synchronisation, ineffective or overly costly elements, etc.

- 12.4.3 In the support planning process example shown above, for instance, there is clear scope for efficiencies, for instance, by ensuring the Support Plan is written up and signed off at the same time as a meeting is held to draw it up or review it.
- 12.4.4 Once mapped, the process can also be benchmarked with the processes for similar services provided in-house or by other organisations. This may show, for example, significant differences in task timescales that can point to further scope for efficiencies.

CASE STUDY: NOTTINGHAM COMMUNITY HOUSING ASSOCIATION (NCHA)

Nottingham Community Housing Association (NCHA) provides supported housing to 1400 customers in the East Midlands. Customers include people with learning difficulties, those with mental health issues, young homeless people, women victims of violence, ex-offenders and people with drug and alcohol problems. A survey revealed that customers did not want staff living in their homes. 'We want to be safe, independent and we only want support when we need it' was their message.

SMaRT (Support Management and Response Team), harnesses technology to provide a rapid response service has evolved since November 2003.

Objectives

- to help customers sustain their independence, security and safety.
- to transform services, complimenting planned support with a 24 /7 service utilising technology and a mobile team in response to need or crisis.
- to be cost efficient
- to provide safe and compliant working processes- removing sleep in staff and monitoring lone workers.

This unique service model successfully links CCTV, an alarm call system and a mobile response team to provide an innovative service which has transformed traditional support (where staff were on site at schemes) to an inspirational and effective service which responds to needs yet provides safety and security. CCTVs monitor door entries and communal areas and can be reviewed remotely at the SMaRT Centre deterring unauthorised visitors. Customers have overwhelmingly welcomed the extra security in what are often volatile households where bullying and violence are not unknown.

Vulnerable people often have low self esteem, yet they have become more confident and have for example turned away doorstep callers including drug dealers because they know there is back up of SMaRT that helps to make them feel safe.

The revenue costs are met through the reduction of staffing costs and utilising old monies in new ways. Increasing the number of service users still within the capacity of the response centre could reduce the unit costs further. There is potential for increasing the response call centre facility to other providers. An outstanding outcome of this service model is the transformation of our relationship with customers and their personal development, independence and responsibility.

Further information can be obtained from Sarah.buroughes@ncha.org.uk.

12.5 Making efficiency proposals

12.5.1 Once proposals have been put forward for improvements to processes, it is important that these are discussed in detail with service users (if the processes relate to them) and affected staff. After all, it will be important that changes to processes turn out to be workable and effective in practice and these are the people who can say how realistic proposed changes are likely to be in advance of their implementation.

12.5.2 Efficient processes will tend to have the following characteristics:

- ⋮ Steps in the process following a natural order, with the fewest possible backward movements
- ⋮ Several tasks combined
- ⋮ Staff making decisions at the nearest possible level to service delivery and monitoring their own progress
- ⋮ Work being performed where and when it makes sense (with the fewest possible people involved)
- ⋮ Single points of contact
- ⋮ Use of IT to replace repetitive manual administration tasks
- ⋮ The fewest possible interfaces
- ⋮ The fewest possible activities

12.6 Procurement process efficiencies

12.6.1 When considering procurement on an efficient basis, it will be important to consider the procurement process itself as well as the procurement outcome. The key areas where gains might be achieved are through:

- ⋮ More efficient tendering for services
- ⋮ Improved ordering and acknowledgment
- ⋮ Improved delivery and implementation processes
- ⋮ Improved authorisation, accounting and payment procedures

12.6.2 These efficiencies will have the benefits of:

- ⋮ Reduced staff time and other operating costs
- ⋮ Reduced stock holding costs
- ⋮ Reduced tendering costs

12.6.3 There are a number of examples of these types of efficiencies being achieved by housing associations. Examples of such efficiencies include:

- ⋮ Electronic catalogue / ordering processes
- ⋮ Consolidation of orders, deliveries and payments

- ⋮ Improved IT systems
- ⋮ Reduced use of external consultants
- ⋮ Increase accuracy and reliability of systems
- ⋮ Electronic tendering
- ⋮ Standard contract documentation
- ⋮ Standard project management approaches
- ⋮ Challenging initial assumptions in terms of quantity, frequency, quality, etc.
- ⋮ Changing specifications to allow joint or partnering approaches.

CASE STUDY: WEST KENT HOUSING ASSOCIATION

At West Kent Housing Association, key points from support plans are input into the association's IBS Housing Management System. All schemes that have offices now have access to a computer; this saves staff coming back to the association's three main offices as they have a choice of eight places to go to download or input information.

Holding info from the support plans electronically:

- enables workbook returns to be done at a press of a button (staff are much happier with the whole process, as collecting the data manually was time-consuming)
- enables access to key information for all staff, rather than their having to go to paper-based information that may be held in an office 20 miles away from where the information is wanted.

Many staff have laptops and can access our systems from home. Teams are managed in such a way that they do not have to work from an office; if staff's first or last appointments are nearer home than the office, they go straight to or from them and work from home. This has facilitated West Kent having a smaller floating support office in Medway, as team members are committed to hot desking and desk space for the whole team at any one time is not needed.

As part of the association's IT Strategy, West Kent is developing mobile technology to enable the team to access information from clients' homes and input Support Plans directly into the IT system. All of these measures have been taken to ensure the most efficient use of staff time and to maximise staff:client contact.

12.7 Other ways of achieving smarter working

- 12.7.1** Reviews of HR policies and practices, provision of training (including training for managers), and attention to staff concerns, together with positive promotion of the organisation and recognition of achievements, can help ensure ongoing staff satisfaction. This will keep sick leave rates down and reduce the costs involved in providing cover for absent staff.
- 12.7.2** It is also worth regularly reviewing the application of IT within the organisation with the aim of reducing costs and maximising staff time spent with service users, e.g.:

- ┆ the provision of intranet linked computers at accommodation-based services that contain the organisation's policies and other regularly used documents
- ┆ the use of web-based timesheets, budgets, recruitment processes and emails
- ┆ teleconferencing (also a useful means of keeping time and costs spent on meetings to a minimum)
- ┆ the use of blackberries and suchlike by staff providing floating support (which can also avoid the need for them to return to offices to type up support plans and other documents).

13 Improving your Procurement

13.1 Introduction

13.1.1 This section of the Toolkit aims to give some ideas to help your organisation think about how to achieve efficiencies through procurement. It is not intended to be a comprehensive guide to procurement processes, as procurement is a huge subject in itself, but more of an introduction to the subject written with care and support provision in mind. There is a wealth of existing guidance on procurement which we have referenced throughout this section.

13.1.2 A significant proportion of service or organisational costs will be for goods or services bought in from outside and the arrangements for procuring those will have a significant impact on efficiency and quality.

13.2 Definition

"[Procurement is]...the acquisition of goods and services from third party suppliers under legally binding contractual terms where all the conditions necessary to form a legally binding contract have been met. Such acquisitions are for the direct benefit of the contracting [organisation], necessary for the delivery of the services it provides or for the running of its own business⁶ "

13.2.1 Procurement is sometimes interchanged with purchasing, buying or contracting. Procurement, however, is much more than entering into a contract for the purchase of services - it is part of a clear process and a defined strategy. Efficient procurement is vital in ensuring the overall efficiency of an organisation. It is a wide-ranging activity, covering all organisational areas, so it is crucial that an efficient procurement strategy and processes are developed and embedded into the organisation's culture.

13.3 Improving efficiency through procurement

13.3.1 The Gershon Review concluded that, for public sector services generally, significant scope exists for delivering procurement savings, in particular through:

- ⌋ Better supply side management – managing demand in a strategic way with the suppliers
- ⌋ Further professionalism of the procurement function - using shared procurement models or enhancing procurement skills

13.3.2 Applying these principles, the Office of Government and Commerce (OGC) has identified four key areas in which better procurement can be used to achieve efficiency and value for money gains:

- ⌋ Negotiating an improved deal with a supplier
- ⌋ Aggregating demand to exert greater leverage on suppliers

⁶ A Guide to Procuring Support Services (Communities & Local Government Department)

- ‡ Reducing process or transaction costs
- ‡ Improving project, contract and asset management

13.3.3 These types of procurement efficiency are equally applicable to housing associations as to other public sector bodies.

13.3.4 These actions will lead to efficiency gains through:

- ‡ Paying a better price, or obtaining better quality products
- ‡ Decreasing procurement process or transaction costs
- ‡ Decreasing management costs

13.3.5 When using procurement processes to drive down prices, it is important to ensure that the quality of the product or service is maintained to the required level. A price saving can only be classed as an efficiency gain where this is the case.

13.3.6 Efficiency gains achieved through better procurement can be both cashable gains (price) and non-cashable gains (improved quality or outputs).

13.4 Procurement in supported housing

13.4.1 Whilst full scale procurement procedures (as described in the section on Large Scale Procurements below) will not always be required for the scale of procurement carried out by many organisations involved in care and support services, organisations must develop a clear set of financial standing orders which set out the requirements for different levels of expenditure, taking account of their overall procurement strategy and EC and UK procurement regulations. These will include:

- ‡ Delegated authorities in respect of purchasing
- ‡ Levels at which different types of tendering are required (e.g. three written quotes, single stage and two stage competitive tendering)
- ‡ When full scale procurement processes are required

13.4.2 Since September 2004, the Housing Corporation has required all housing associations to follow EU procurement rules for all procurements to which those rules apply. The procurement rules currently apply to contracts with whole life costs above the following limits:

- ‡ Supplies and services - £144,371
- ‡ Works - £3,611,319

13.4.3 These limits are fixed for two years from 31 January 2006.

13.4.4 Contracts above these values must be tendered in accordance with the EU procurement rules, which include a number of detailed requirements including:

- ‡ Advertising of the contract through the *Official Journal of the European Union* (OJEU)

- ! A choice between open or restricted, and (under specified circumstances) competitive dialogue or negotiated procedures – further information on these procedures can be found in Section 16 of this Toolkit
- ! Mandatory exclusion of candidates who have been convicted of certain offences
- ! Requirement for a 10 day standstill period after award of the contract

13.4.5 Detailed EU Procurement guidance and current limits can be obtained from the Office of Government Commerce website ([see Web Links section](#)).

CASE STUDY: GREAT PLACES HOUSING GROUP

Great Places has drawn up a framework agreement for the supply of temporary agency staff for supported housing schemes.

The aim of putting such an agreement in place is to reduce costs, reduce the supplier base, increase and standardize the level of service the association currently receives, increase efficiencies, monitor the performance of the providers more closely and have better control over what the organization spends in this area.

As the value exceeds the European Union annual threshold, the agreement has to be tendered via the Official Journal of the European Union. Therefore, a full-blown tender approach has had to be adopted, involving a Pre-qualification Questionnaire to assess to whom the tender document will be sent.

The supplier base will be reduced, which will enable the business to manage the process of obtaining temporary agency staff in a much more robust manner. The cost of recruiting to the organisation will be lower as the providers that will be put onto the framework agreement will more or less be guaranteed a share of £400k worth of business in this area and therefore will be expected to give reduced rates. The companies will also have to perform better, as provisions within the agreement set out expected performance standards and will enable Great Places to monitor their service delivery against these

13.4.6 Many housing associations use managing agents to provide housing management in supported housing projects. It is important there is a clear procurement process in relation to such agents, and associations are advised to obtain legal advice in relation to procurement of managing agents and EU procurement rules. (Where projects funded by Supporting People are concerned, it is likely the managing agent will have already been subject to a competitive tendering process in their parallel role of support provider.)

13.5 Negotiating an improved deal with a supplier

13.5.1 Better procurement can lead either to achieving better contract terms with existing suppliers or involve improved terms by changing suppliers.

CASE STUDY: CATALYST HOUSING GROUP

A procurement-led review of energy spending by Catalyst Housing Group delivered group-wide gross savings of £125k by way of refunds in respect of overcharges in 2005/6 and earlier years.

The recovery of the overpayments was part of a bigger exercise to rationalise energy purchasing across the Group. When data was compiled for retendering, it became clear that, in many cases, Catalyst was paying VAT at the full rate, which in turn meant that the Group was being charged the Climate Change Levy on premises which should have been exempt.

Checking every invoice promised to be a hugely labour intensive exercise, so an external consultant was used on a contingency fee basis to identify and pursue all overpayments. In the event, they unravelled not only the VAT issues, but a number of cases where gas had been wrongly metered.

This put Catalyst in a position where it could reliably aggregate its gas contracts across the Group. This was then tendered as a single package through Procurement for Housing.

Catalyst saw around £125k recovered in cash refunds from these overpayments - a one-off efficiency of around 16% of a year's spend. In terms of energy bills, it's much harder to say what savings we're making. The tendering resulted in Catalyst entering into a three-year arrangement at what was then a very good rate in a rising market. The ongoing benefits of having all gas contracts in one place, centralized monthly billing, and long term price certainty were felt to be well worth having, and the Group is now applying the same process to electricity supplies, and is starting to look at similar arrangements for water rates.

- 13.5.2 Price savings negotiated against the last price paid, or the market price for goods or services, are classed as efficiency gains. Additionally, it may be possible to negotiate a standstill price where the market price for the commodity is subject to increase.
- 13.5.3 The area of utility contracts continues to be an area of substantial savings for housing associations, either where savings are negotiated through procurement consortia (as discussed below), or by independently negotiating deals and/or switching suppliers using independent energy price consultancies such as www.uswitch.com.
- 13.5.4 Better terms might include better or longer guarantees and warranties, more advantageous payment terms and better delivery terms so that the organisation needs to hold less stock of an item.
- 13.5.5 Improved quality will generally reduce the lifetime cost of an item. For example, a better quality bed may last five years instead of three. If this is negotiated for the same price, then the cost per year will be lower.
- 13.5.6 In the case of specialist organisations providing supported housing, staff costs generally represent 70% or more of overall costs. Within staff costs, there is nearly always the requirement to use agency staff. The use of agency staff in place of employed staff is discussed in detail under Toolkit Section 9, but, while the use of agency staff should be kept to a minimum, further substantial efficiencies can be achieved by negotiating an improved price and/or for the contract to be covered by more highly skilled staff, thereby improving quality.

- 13.5.7 Savings may also be achieved through changing the specification of a bespoke service to a more generic one that is available “off the shelf” and which will do the job just as well. An example might be heavily customising a general needs rent accounting system to meet supported housing requirements, rather than procuring a readymade product.
- 13.5.8 Innovative partnering approaches are also being developed by housing associations, particularly in the area of planned maintenance, where longer term contracts are being granted in exchange for more favourable contract terms and a jointly developed approach with the supplier.
- 13.5.9 In 2005, the Audit Commission was commissioned to identify innovative approaches to efficiency in management and maintenance. The approaches included negotiation of better deals with suppliers, as well as partnering and other approaches. The results of the project and a showcase of ideas contributed by housing associations can be found on the Audit Commission website ([see Web Links section](#))

CASE STUDY: THE HYDE GROUP

Based on the outputs from its stock condition survey, The Hyde Group commenced a programme of introducing long-term 5 year contracts for the main components of the planned maintenance programme with a key number of suppliers. The first contracts were signed in 2004/5. In order to achieve greater efficiencies across the Group, Hyde has now joined the Procurement for All (PFA) procurement consortium. The consortium will seek to achieve greater efficiencies through longer term and high volume contracts. In addition it will seek to improve supply chain management, again generating efficiencies.

13.6 Achieving gains through aggregation

- 13.6.1 Gains through aggregation are made by employing a procurement approach that uses the buying power achieved through purchasing larger quantities of goods or services to achieve improved contract terms.
- 13.6.2 There are a number of ways in which organisations are achieving such gains including:
- ┆ Using group buying power
 - ┆ Using specialist procurement agencies
 - ┆ Strategic alliances with other organisations
- 13.6.3 The types of savings that might be achieved through this method of procurement are:
- ┆ Reductions in unit price
 - ┆ Better contract terms
 - ┆ Reduced transaction costs
 - ┆ Faster contract implementation
 - ┆ Improved quality

- 13.6.4 One of the most important advantages to an organisation in being part of a group structure is the ability of that group to achieve greater purchasing power than any of the constituent organisations can on their own. It is clear from the Annual Efficiency Statements submitted by housing associations that this leverage is now being put to use.
- 13.6.5 Housing associations are using group structures to achieve efficiencies not just on the purchase of goods and services, but in renegotiation of loan portfolios on better terms, thus achieving interest savings.
- 13.6.6 There are a number of procurement agencies now operating within the sector, and associations using these are achieving considerable efficiency savings. These include Procurement for Housing and OGC Buying Solutions.
- 13.6.7 Housing associations are now forming strategic alliances in order to achieve greater buying power than they would individually. A number of regional alliances include Buy 4 London, which works on procurement of planned maintenance, while Procurement for All (PfA) is a national consortium which will seek to achieve greater efficiencies through longer term, high volume contracts and improved supply chain management.
- 13.6.8 The National Change Agent Housing was established in response to the Government's efficiency agenda as a first point of call for all social landlords – housing associations, local authorities and arms-length management organisations (ALMO's) – wishing to improve the procurement and delivery efficiencies of their capital works programmes, with a specific remit to support the establishment and development of procurement consortia ([see Web Links section](#)). Their website contains guidance and examples of best practice in procurement, together with details on existing procurement consortia. The website also has details on the Efficiency Challenge Fund made available by Central Government to enable social landlords to set up new consortia in order to achieve efficiency gains in the procurement of capital works in refurbishment and renewal, with a particular emphasis on the 'Decent Homes' programme.

CASE STUDY: CIRCLE ANGLIA

Buy4London is a consortium of large London housing associations formed to achieve savings through a collaborative approach to planned maintenance.

Circle Anglia joined the consortium to procure its planned maintenance materials, as part of the group's drive to achieve £2.7 million of savings each year. It was the first member to procure boilers through the scheme - achieving ongoing savings of £200,000.

13.7 Reducing purchasing and procurement processes or transaction costs

- 13.7.1 Procurement is a process in itself, with its own resourcing in terms of staff time, tender costs, etc. There may well be scope for efficiencies by reviewing procurement processes and transactions. More information is given on this in Section 12 of this Toolkit.

13.8 Involving stakeholders

- 13.8.1 Wherever possible, stakeholders should be involved in defining the overall procurement strategy and in setting the specifications and selecting the suppliers for individual procurements. This would include, for example, involving managers and budget holders in

specifying the requirements for a new accounting system and involving service users in the selection of a new support provider.

CASE STUDY: BRUNEL HOUSING

Brunel Housing, working in partnership with the local NHS care trust and a number of other small providers, is using a scheme of sharing on-call services to reduce staff costs and increase service efficiency. The services the individual providers deliver each require an on-call care manager to be available throughout the night.

The shared service has reduced costs through pooling management resources and the sharing of emergency and late night support staff. It also means that, when issues arise, the correct person can be available, e.g. for issues of a clinical nature a senior nursing manager is available. This support delivery model is offered to people living in supported accommodation as well as to individuals receiving home care services.

13.9 Large scale procurements

13.9.1 Whilst smaller scale procurements will be covered by an organisation's internal standing orders, large scale procurements should be carried out using formal procurement processes, such as that published by the Office of Government and Commerce (OGC). Detailed guidance on this process can be found on their website ([see Web Links section](#)).

13.9.2 It is important to adopt recognised procurement principles for large scale procurements in order to procure goods and services in an efficient manner and to achieve continuous improvement. Associations are advised to familiarise themselves with the full guidance and applicable EC and UK procurement regulations.

13.9.3 The general principles are as follows:

- ! All procurement should be subject to competition (although not necessarily through competitive tendering)
- ! All procurement should be conducted on a value for money basis (taking account of both quality and price)
- ! All procurements should be fair, open and transparent
- ! Procurement failure usually points to badly defined requirements

13.10 Improving project, contract and asset management

13.10.1 Larger, longer term projects require properly developed contract management processes in order to ensure the most efficient outcomes. Project management refers to the systems and processes used to ensure that a project is implemented on an efficient basis to the planned timescale and cost, for instance implementing new maintenance reporting and management software. Asset management is then required to ensure that the asset is managed on an ongoing basis and achieves the expected return in terms of use or outputs over its useful life.

13.10.2 An effective approach to project management will create efficiencies both at the initial specification stage, in managing the procurement process and in the ongoing management of the project.

- 13.10.3 There are a number of recognised approaches to project management. Perhaps the best recognised is Prince 2, details of which are available on the OGC website ([see Web Links section](#)).
- 13.10.4 Improved contract management will lead to improved contract specification, resulting in a more efficient match of supply with requirements. Benchmarking of costs can feed into this process. Properly thought through evaluation criteria will lead to improved costs or benefits throughout the life of the contract.
- 13.10.5 Ongoing contract management over the life of a project will result in the ability to maintain or improve the terms from the supplier. Efficient monitoring mechanisms should be linked to those for rewarding good performance or penalising poor performance.
- 13.10.6 Where a capital asset is procured, efficient management of that asset will achieve the minimum annual cost over the lifetime of that asset.

CASE STUDY: THE HYDE GROUP

The Hyde Group's IT system is being enhanced with the introduction of a planned maintenance module for the management of contracts and with an interface of capital costs direct to the fixed asset register. This will result in the more effective use of staff time in conjunction with ensuring a consistent approach to contract management is adopted across the Group.

14 Improving Outcomes

14.1 Introduction

- 14.1.1 This section of the Toolkit looks at the importance of being able to demonstrate service outcomes and how to go about improving outcomes, with a particular emphasis on achieving efficiency gains, whether 'cashable' or 'non-cashable' (including advice on how to calculate the latter).

14.2 The need to demonstrate outcomes

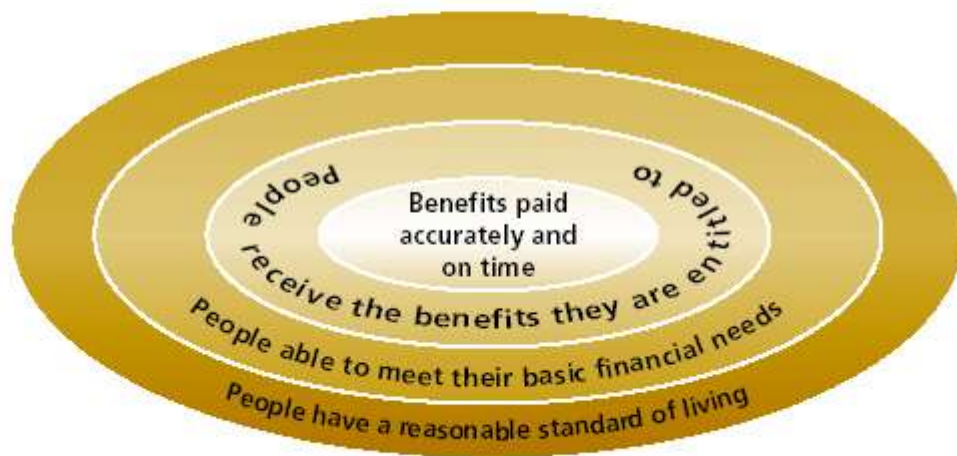
- 14.2.1 Traditionally, the performance of care and support services has tended to be measured by inputs (e.g. funding amounts, staffing levels), with relatively little attention being paid to outcomes. However, with the Government's introduction of the Supporting People regime and its emphasis on assisting vulnerable people to live as independently as possible, together with the focus on person-centred support across the general care and support sector, there has been growing interest in recent years in service outcomes. From April 2009, local authorities' Supporting People activities will be governed by Local Area Agreements; as these are outcome-based projects, there is likely to be an increased focus on support service outcomes.
- 14.2.2 Being able to demonstrate service outcomes has important benefits for service providers too. Knowing what your outcomes are helps you measure, focus and improve your performance. It can also help strengthen your position in discussions with commissioners about potential reductions in funding.
- 14.2.3 Housing associations' Annual Efficiency Statements (AES) also require demonstrable outcomes and, in turn, should assist associations providing care and support services to demonstrate to commissioners that there is a willingness to obtain efficiencies where these are considered to be achievable.
- 14.2.4 This combination of seeking and demonstrating improved outcomes and efficiencies should also assist organisations that provide care and support services to demonstrate where efficiencies are not obtainable except at the expense of service quality. This can form an important context to discussions with commissioners who are looking to make reductions in their funding.

14.3 Developing outcomes

- 14.3.1 Outcome measures are crucial in order to monitor the achievement of service objectives. They depend on a clear understanding (ideally one that is shared with stakeholders such as funders) of what a service is seeking to achieve.
- 14.3.2 Having determined service objectives, it can, however, be quite difficult to devise suitable outcome measures, particularly in complex areas like services aimed at improving social wellbeing. The Audit Commission management paper *On Target: the practice of performance indicators* helpfully describes a 'ripple effect' approach that can help identify links between service objectives and outcome measures where measures can be difficult to construct because the outcomes may be long term of influenced by various factors.

Figure 6 – The ‘Ripple Effect’ and outcome measures**The ‘ripple effect’ approach**

A simplified example of how the ripple effect links objectives with outcome measures: the outer circle contains the less measurable outcome elements of the service (people able to have a reasonable standard of living), the inner circle the more measurable indicators and targets (benefits paid accurately and on time).



Source: A Measure of Success, Audit Commission, 1999

- 14.3.3 A service can be viewed as a stone tossed into water that creates several ripples of effect around it. The outer ripples reflect the overarching objectives of the service, and the inner ripples the more measurable aspects of the service. The process can be used in two ways. First, it can be used to develop indicators for the objectives of a service (moving from the outer to the inner circles towards a more and more measurable level). Second, a service's links to its overall objectives can be constructed (by moving from the inner to the outer circles).

14.4 Outcome monitoring

- 14.4.1 The Communities & Local Government Department (CLG) has recently been piloting outcome monitoring in short-term Supporting People funded services with a view to introducing this aspect more widely within the Supporting People regime. The pilot has been based on individuals' support plan objectives and measures the following aspects:

- ! Economic wellbeing (covering support provided in relation to welfare benefits, debt management and paid employment and to what extent a service user's needs in these areas were met)
- ! 'Enjoy and achieve' (covering support provided in relation to training and education; leisure, cultural, faith and/or informal learning activities; 'work-like' activities [e.g. volunteering, work experience]; contact with external services, groups, friends and/or family and to what extent a service user's needs in these areas were met)

- ‡ Health (covering support provided in relation to primary health care, mental health services, drug and/or alcohol services and to what extent a service user's needs in these areas were met)
- ‡ Safety (covering support provided in relation to planned move-on and maintaining accommodation and avoiding eviction and to what extent a service user's needs in these areas were met)
- ‡ Making a positive contribution to society (covering support provided in relation to community involvement and compliance with statutory orders and related processes and to what extent a service user's needs in these areas were met)

14.4.2 Pilot participants were asked to record the baseline information on the numbers of clients entering a service who had achieved the outcomes measured in the indicators and to complete a form showing relevant outcomes at the point of their departure for each user who had received support services for at least a month. Service providers needed to demonstrate a clear audit trail to primary records sitting behind the returns and be prepared for the data produced to be used in performance management and benchmarking.

14.4.3 It remains to be seen to what extent this pilot exercise will be pursued more widely, but it does give some useful pointers to the types of outcome that Supporting People funders are likely to be most concerned about achieving and thus the kinds of outcomes it would be useful for support service providers to be able to demonstrate.

14.4.4 In the residential care field, the Commission for Social Care Inspection is also implementing an inspection regime in relation to adult social inspection of statutory authorities that has more emphasis on outcomes. This is likely to take into account the following areas:

- ‡ Improvements to health and emotional well-being of service users
- ‡ Improvements in service users' quality of life – services that promote independence and support people to make the most of their capacity and potential
- ‡ 'Making a positive contribution' – services that encourage users to participate in their community and which value service users' contributions equally with others'
- ‡ Increased choice and control – service users' access to choice and control of good quality services that are responsive to individual needs and preferences
- ‡ Freedom from discrimination – service users having equal access to services without hindrance from discrimination or prejudice where they feel safe and are safeguarded from harm
- ‡ Economic well-being – ensuring service users have access to economic opportunities, (e.g. welfare benefits, paid employment) and are supported to achieve this
- ‡ Maintenance of personal dignity and respect – secure settings that respect the individual and help to preserve people's dignity
- ‡ Leadership – the existence of corporate arrangements to achieve consistent, sustainable and effective improvements in services
- ‡ Commissioning and use of resources – delivering services to clear standards of both quality and cost by the most effective, economic and efficient means available

14.4.5 Although these performance indicators are to be targeted primarily at health and local authorities, organisations providing domiciliary or residential care can expect to be asked to demonstrate compliance with all or some of them, and they give a good indication of the types of outcomes that funders and regulators will be keen to see demonstrated.

14.4.6 Service providers who develop systems to demonstrate outcomes are also then in a position to monitor performance themselves and to set targets for improvements on current performance.

14.5 Efficiency outcomes

14.5.1 In terms of efficiency aspects, there are two possible outcomes – cashable and non-cashable efficiency gains.

14.5.2 Cashable gains are those that involve cost savings, by reducing inputs (money, people, assets, etc.) or prices (procurement, labour costs, etc.) for the same outputs. These can enable an organisation providing care and support services to use the funds saved to expand or improve the quality of existing services, or to hand back monies to funding authorities by effectively carrying out the same services for less money.

CASE STUDY: THE CONTOUR HOUSING GROUP

The Contour Housing Group has used cashable efficiency gains to fund a wide range of services, including:

- expansion of its call centre to provide an enhanced service to tenants and residents
- the creation of a volunteer tenant auditor scheme to provide an independent assessment of the quality of the Group's customer service
- delivery of employment and training initiatives
- establishing a Community Investment Fund to invest in local neighbourhood issues, building sustainable communities and stock investment.

14.6 Non-cashable gains

14.6.1 Non-cashable gains involve three main areas:

- 1) Improvements in productivity by increasing resources at no extra cost
- 2) New, improved or enhanced services, and
- 3) New and improved ways of working that result in increased service user satisfaction

14.6.2 These are described in more detail below.

14.6.3 The efficiencies involved in non-cashable gains should be cross cutting and increased efficiency in one area should not have a negative impact on other areas. Evidence that efficiencies have been achieved is required externally by the Corporation from housing associations claiming non-cashable gains and should also be sought internally by the body within an organisation charged with overseeing its Efficiency Strategy.

14.7 Improvements in productivity

14.7.1 Savings through absence management are considered to be non-cashable savings by CLG, and can be achieved through focussing on increasing productivity of existing staff by reducing excessive 'downtime'. For example, flexible and mobile working practices help reduce travelling time and reduce sickness absence by allowing staff to work at home when they need to manage their time around other commitments.

14.7.2 Improving productivity is achieved through reducing the amount of time spent on activities which have little or no value to the organisation. These are:

- ┆ Sickness absence
- ┆ Administrative tasks
- ┆ Travelling between work locations
- ┆ Excessive 'downtime'

14.7.3 Inefficiencies are compounded when staff need to be called back in on overtime, so savings can also be made by:

- ┆ Reworking shift patterns
- ┆ Ensuring customer queries are resolved first time
- ┆ Ensuring staffing levels reflect service demand

14.7.4 Gains can also be achieved by increasing effectiveness i.e. 'doing the right things' and focussing resources on supporting the customer. This is supported by guidance to local authorities on productive time, based on the definition given by the Gershon Review which noted that:

"Frontline staff are there to deliver services to the user and reducing the amount of time they spend away from these core activities is an important part of efficiency"

14.7.5 Redeployment of staff from central to frontline services increases resources so that services may be enhanced at no additional cost. However, where staff are redeployed, it must be shown that there has been an associated improvement in performance, and an assessment made of the impact on service delivery from the area in which the resources have been removed.

14.7.6 'People issues' are important in care and support service provision and call centre operations like community alarm services as they usually account for a significant percentage of total costs. Significant savings can therefore usually be made through productivity improvement measures, e.g. factoring vacancies into budgets so that cover can be provided by staff rather than more expensive agency placements, although robust performance monitoring systems will need to be in place to ensure there is no negative effect on the quality of services delivered.

14.7.7 CLG's Regional Centres of Excellence website provides guidance on efficiency calculations, and includes a useful 'absence cost calculator' spreadsheet for calculating employee costs. This is a useful tool for calculation of the 'all in' cost of absences,

including employee's on-costs and benefits as well as the cost of replacement workers. This gives an accurate and realistic absence rate which can then be applied to levels of productivity to calculate non-cashable gains. (Note that reductions in absence rates which allow staff numbers to be reduced would give rise to cashable efficiency gains). This toolkit can be found at the CLG's Regional Centres of Excellence website ([see Website Links section](#)).

- 14.7.8 Project Nomad, the project for improving efficiency through mobile working, reports a number of examples where substantial increases in productivity have been achieved through removal of paper based systems, reduced travelling time and faster reporting. Guidance and best practice examples can be found on the project website ([see Website Links section](#)).

CASE STUDY: ENDEAVOUR HOUSING ASSOCIATION

Endeavour Housing decommissioned a registered care home into a supported living model.

Endeavour had a small portfolio of registered care homes which they had owned for a number of years. As the Supporting People and Valuing People agendas rolled out it became apparent that in a couple of their services for people with learning disabilities there was potential for these people to become tenants as opposed to a resident of a care home. They worked with their managing agents to explore what potential there was to progress this initiative.

In partnership with CSCI, SP Teams, Residents and their families, Social Care Depts and HB Depts they started to progress the idea. People's needs were reassessed and recommendations made to CSCI that they were capable of entering into a tenancy and no longer needed residential care. We worked closely with residents and their families to explain what this meant and all were very keen to progress. Their managing agents spent time on retraining staff as the philosophy of supported living is very different to residential care; the model is one of empowerment. In addition we developed a financial rental model which was approved by HB depts and they also funded any necessary accommodation remodelling to comply with CSCI's requirements. Their Agents also re registered as domiciliary care providers.

The residents are now tenants with the full rights and responsibilities that entails. Their tenants are now eligible for benefit so have more disposable income. Their tenants are treated as citizens and Endeavour have a person centred approach based on empowerment. The service is no longer registered as a residential care home. Supporting People funding was received and overall the cost to the public purse has reduced.

CASE STUDY: LOOK AHEAD HOUSING ASSOCIATION

Independent Living Community Support (ILCS) service

The ILCS service is an outreach service in Tower Hamlets which is funded via the Supporting People programme. As part of achieving better value for money for the Commissioner Look Ahead undertook a review of how we could improve the efficiency of this contract and deliver more service for the same price. This met Look Ahead's corporate objectives of retaining existing contracts which support financial viability, achieving continuous improvement and increasing efficiency.

The aim was to increase the number of people that could be offered support through the

service whilst retaining the same staffing level and cost, thereby achieving better value for money to the local authority.

With an outreach service, minimising travelling time is a critical factor in enabling staff to achieve a higher number of face-to-face contact hours a week and therefore greater efficiency. The team therefore reviewed how they could change things to minimise travelling time. As a result, the staff members now work on a geographical basis. This avoids the need for lengthy travelling between appointments which previously might have been at different ends of the borough. Before this change, staff were able to achieve two or three visits a day: they can now achieve four or five in a day and can usually walk between appointments. This relatively simple change has had the biggest impact upon efficiency.

The team has also increased the number of activities that are on offer. This has benefited customers by increasing their opportunity to become engaged in community activities, try new things and meet other people. It also provides an opportunity for some of them to have some key-working sessions in a more relaxed and different environment as an alternative to this always taking place at home. This can improve the quality and range of key-working support offered, as well as contributing to efficiency, as the time needed for a separate home visit is saved on these occasions.

Finally, the hours when the service is offered have been extended, so the service is available for 12 hours Monday-Friday and also for eight hours at the weekends. Previously it was an office hours based service. Mental ill health does not restrict itself to office hours, and weekends can be particularly difficult, so this change in hours represents an increase in quality and relevance and therefore efficiency of the service. This has all been achieved within the same staff team. Furthermore, weekend travel is often quicker, so again the contact hours are maximised.

The new service was officially re-launched with its new name - which focuses on the desired outcome of independent living - in July 2007.

The key outcomes have been as follows:

1. 82% increase in number of people using the service (102 compared to 56)
2. 90% increase in the times when the service is available (76 hours per week compared to 40 hours per week)
3. 100% increase in the level of organised activities offered (10 per month compared to five per month)
 - The activities that are on offer to customers have also been doubled. These additions have been customer driven. Previously, there was one activity a week: now there are five more monthly activities, including sports groups, a Bengali women's group, a drama group and a customer led self support group.
4. Wider access to the service
 - The commissioner now allows referrals to be made from a wider pool of sources so there are more points of access. The team have developed proactive links with not just the Community Mental Health Teams but also local GP practices and voluntary support groups. The service is therefore more relevant and has the opportunity to reach people who in the past would have been excluded. Having almost doubled the capacity, Look Ahead can offer the service more widely and support more people who have suffered either short term or more enduring mental ill health to achieve independent living and better quality of life.

- This has all been achieved with the same staffing complement and at no increase in cost to the commissioner.

Look Ahead has replicated this work on other outreach services in East London via similar methods. For instance:

- Newham Mental Health outreach service has also increased its capacity from 40 customers to 62.
- Newham Supported Living Project outreach service for people with learning disabilities has increased its capacity from 20 customers to 25.

This is part of a rolling programme of work which forms part of Look Ahead's ongoing business plan and efficiency strategy.

14.8 Using efficiency gains in new, improved or enhanced services

14.8.1 Non-cashable gains can also be achieved where new services can be introduced at no extra cost, or where the extra cost is less than the increase in value of the service provided, by redeploying staff from areas where efficiency savings have been made. Similarly, where services can be enhanced or improved by using existing resources more efficiently or effectively, non-cashable gains arise. (NB: As far as the Housing Corporation is concerned, evidence of such gains would need to be provided, for instance in terms of demonstrating increased service user satisfaction.)

14.8.2 Cashable gains re-investment can include:

- ┆ Increased/enhanced capital programmes
- ┆ Maintaining or increasing the new-build programme
- ┆ Affordable warmth programmes
- ┆ Increased expenditure on outstanding repairs.
- ┆ Re-investment in regeneration/social inclusion/in business for neighbourhoods
- ┆ Enhanced neighbourhood management/tackling anti-social behaviour
- ┆ Research into resident needs/demands/aspirations
- ┆ Increased marketing and PR

14.9 New and improved ways of working

14.9.1 Challenging the ways in which services are provided and delivering these in new and innovative ways are other means by which organisations can achieve 'more for less' and improve customer satisfaction. More information is given on this in Section 12 of this Toolkit.

14.10 Calculating non-cashable efficiency gains

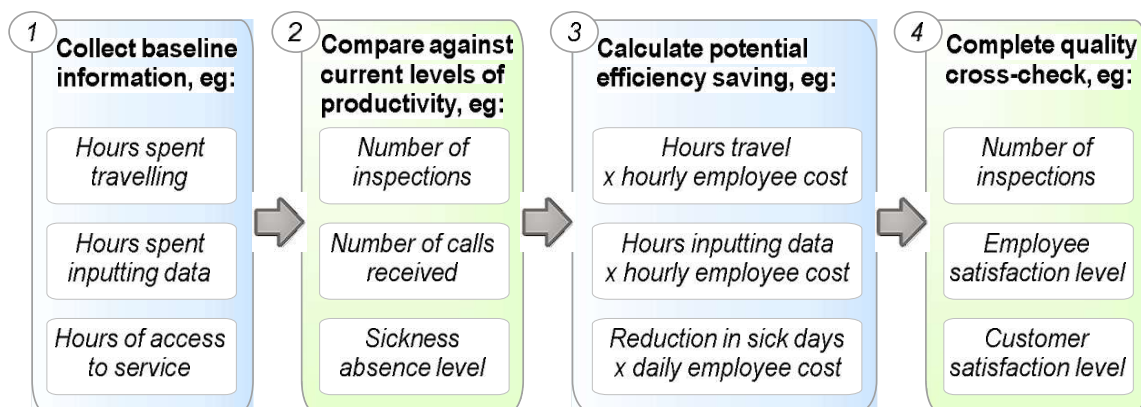
14.10.1 Generally, non-cashable efficiency gains are calculated by measuring the cost of resources used on unproductive activities or the resources saved by changing a way of working. The original costs/resources are then used to provide new services or improve

existing ones. The cost of these resources is calculated using the cost per hour of individuals or groups of employees, multiplied by the hours saved. This gives an 'equivalent cost' of the additional resources generated which would otherwise need to have been bought in.

14.10.2 This involves collecting baseline information such as the hours spent travelling, estimating hours saved, and multiplying this by the 'all in' cost of a particular employee or group of employees. Cross checks would need to be undertaken after implementing the changes to ensure there was no adverse effect on quality. This is shown diagrammatically as follows:

14.10.3 Calculation of Non-Cashable Efficiency Gains:

Figure 7 – Non-cashable gains calculation



Example:

Calculation of a non cashable efficiency gain

An example of a non cashable efficiency gain would be the replacement of the inputting of a manual lettings form into the housing management system with a data interface system to transfer lettings information from the form to the system

This will result in savings on the time required to manually input forms and the time spent checking and correcting input errors.

The non cashable efficiency gain will be:

Hourly rate of input staff x saved on data input + hourly rate of staff checking input x hours spent checking

14.10.4 General estimates of gains may be applied to the total cost of service provision where resources are being used more efficiently. For example, one local authority has estimated that employees were "15% more efficient" as a result of working at home and multiplied this by the salary cost to establish the gain in staff resources. The cost of space saved in the office (estimated area no longer occupied x cost per m²) was then added to give a total productivity gain. Similarly, other organisations have reported "savings across the board of 3%" through the introduction of more electronic means of working.

14.10.5 Where new equipment or systems have been introduced, the return on investment can take some time to materialise. Efficiency gains should therefore be calculated for the medium to long term, rather than taking each year in isolation when the AES is produced.

This should be a rolling, backward look at actual gains, and an adjusted forward look for future years over which gains are likely to materialise.

15 Good Financial Management (A PowerPoint Presentation)

16 Reducing Consumption

16.1 Introduction

- 16.1.1 The purpose of this Toolkit section is to outline some of the ways in which your organisation could look to reduce its consumption of resources, both in its offices and any homes it provides, through a combination of more energy efficient assets and processes.
- 16.1.2 Non-staff costs can represent the majority of property and service costs and around 25% of support costs and therefore offer considerable scope for savings. Very often a cost-efficient approach to non-staff costs can also help to prevent environmental damage, for instance through reduced use of water, electricity and gas. The running costs incurred by tenants can also be significantly lowered.
- 16.1.3 Perhaps the most obvious area in which consumption can be reduced is that of energy. Energy can be saved both by cutting down on excessive energy use in existing schemes and offices and by designing new energy efficient buildings.
- 16.1.4 Consumption of other materials should also be considered, particularly reducing consumption by the administrative and management functions of the organisation.
- 16.1.5 Detailed references and web links providing advice and further information on each of the items in the checklists below can be found in the Links section of this Toolkit ([see Web Links section](#))

16.2 Low cost measures

- 16.2.1 The following checklist contains some low cost steps which could be adopted to reduce day to day energy consumption in an organisation's offices or housing stock. More information on these low cost measures can be found in the Links section ([see Web Links section](#)).

Reducing consumption – Low cost measures	
Action	Timescale
Switch all light bulbs to energy efficient compact fluorescent light bulbs, and in future to LED bulbs	
Minimise electricity use by switching off lights in unused corridors, rooms, etc., and by keeping windows clear to maximise natural light	
Reduce 'stand-by' losses on appliances such as office computers by switching off at night	
Consider conversion of stock to a renewable energy solution, such as solar panels,	
Consider use of water-reducing shower heads to reduce both energy and water consumption	
Properly insulate all stock (including cavity wall and loft insulation)	
Fit efficient draft exclusion to all stock	

Fit thermostatic radiator valves (TRVs) and switch off radiators in unused rooms so that you stop heating rooms you are not using	
Instigate an 'Energy Conservation Week', encouraging staff and tenants to be more aware of energy efficiency measures and to change their practices accordingly	
Add an energy efficiency focus to stock condition surveys	
Replace white goods with "energy plus" appliances	
Encourage energy efficient travel through use of public transport, cycling, energy efficient vehicles, etc.	
Reduce fuel consumption on travel to meetings through tele or video conferencing, or arranging meetings to minimise travel during peak periods	
Appoint an 'Energy Champion' for each office, responsible for enforcing office energy efficiency	
Reduce stationery consumption by converting to a paperless office and using web-based solutions for recruitment and maintenance reporting. Use more energy efficient recycled paper and toners	
Reduce power consumption on office equipment by enabling power saving features and switching off adaptors when not in use	
Ensure that energy efficiency is a prime consideration in the design of all future new build stock	

16.3 Longer term measures

16.3.1 There are a number of longer term measures aimed at reducing consumption that require more detailed planning, cost benefit analysis and implementation over a planned long term period.

16.3.2 A number of such measures are included in the table below. More information on these low cost measures can be found in the Links section ([see Web Links section](#))

Reducing consumption – Longer term measures	
Action	Timescale
Switch to tankless water heaters	
Consider the use of Combined Heat and Power (CHP) plants	
Consider the implementation of community energy schemes	
Consider the possibility of conversion to renewable energy sources, such as solar or wind power	

Install draught proof windows and doors in all stock	
Install dual flush or low displacement toilet cisterns and spray taps	

16.4 Advising tenants on energy efficiency

- 16.4.1 Providing effective advice to tenants on energy efficiency, and embedding energy efficiency into service culture, will help to produce savings both on tenants' personal contributions and on service charges met by Housing Benefit. Whilst these may not, in the main, result in cashable gains for the organisation, they will result in quantifiable efficiency gains to the public purse and to the environment.
- 16.4.2 Clearly, the provision of effective energy advice to tenants in supported housing requires a greater investment in terms of support staff time than for tenants in other housing. Tenants will often have limited literacy and numeracy skills and may not read printed advice. Supported and sheltered housing tenants may also experience visual impairment, hearing and mobility issues. In these cases, tenants would prefer, or possibly only understand, advice given verbally or using other suitable media.
- 16.4.3 The process will not simply be the provision of initial energy advice, but will require follow-up work to ensure that advice has been properly understood and implemented.

Figure 8 – Advice to tenants on reducing energy consumption

Reducing energy consumption – Examples of advice to tenants
Action
Close your curtains at dusk to stop heat escaping through the windows
Always turn off the lights when you leave a room
If you're not filling up the washing machine, tumble dryer or dishwasher, use the half-load or economy programme
Only boil as much water as you need
Fix or report leaking taps and make sure they're fully turned off
Wash your laundry at 30°C
When cooking, choose the right pan size for the food and the cooker
Regularly defrost your freezer and try to keep it packed full
Let cooked foods cool to room temperature before putting them in the refrigerator and keep the refrigerator open as little as possible
Reduce water consumption by turning off taps when not in use and using hose pipes less.

17 Pricing and tendering for services

17.1 Introduction

17.1.1 Tendering for care and support services can represent both a challenge – particularly if you currently provide the service being tendered - and an opportunity. This section of the Toolkit looks at how care and support services are procured; how to go about responding to tender opportunities; and how efficiencies can be included in tender proposals. In broad terms, if the service being put out to tender is one that your organisation currently provides, then there is the opportunity to gain efficiencies by reviewing your existing costs and approach. If the service being tendered is a new one, then it may offer an opportunity to acquire efficiencies by growing your services.

17.2 How services are procured

17.2.1 Residential care and housing related support services will generally be commissioned by one of the following organisations:

- ! The Adult Social Care function of a local authority
- ! Children's Services in the local authority
- ! A Supporting People team
- ! A Drug Action Team (DAT)
- ! A Regional office of the National Offender Management Service (NOMS)
- ! A Primary Care Trust (PCT)
- ! The Government has recently announced its intention to enable GP surgeries to commission social care services as well.

17.2.2 Sometimes these organisations will carry out joint commissioning and this is now becoming the norm for learning disability, mental health and older people's services. Joint commissioning can involve different organisations or local authority departments working together (e.g. a PCT and Adult Social Care or Adult Social Care and Supporting People) or similar teams acting as one (e.g. local authority Supporting People teams commissioning services on a regional or sub-regional basis).

17.2.3 As part of their own governance arrangements, all of these organisations have to be able to demonstrate that they are obtaining value for money (VfM) from their spend on public services. They also have to be compliant with very specific European Union procurement directives for the supply of public services, especially with regard to services with a total contract value over a specific threshold (currently £144,371). The details of these directives can be found at the Office of Government Commerce website ([see Web Links section](#))

17.2.4 Commissioning organisations can conform with these requirements by procuring their services in one of the following ways:

- ! Open tender: any organisation can express an interest and request tender documents
- ! Restricted tender: This is a two-stage process. Organisations expressing an interest undergo an initial pre-qualification assessment and only the selected

applicants from this assessment are invited to tender. This is by far the most common process

- ! Negotiated tender: Organisations expressing an interest undergo an initial pre-qualification assessment. The commissioner will then negotiate with one or two suitable contractors
- ! Competitive dialogue: This procedure permits the commissioner to enter into a dialogue with bidders before seeking final tenders from them. This new procedure is available for particularly complex procurements where the commissioner does not consider that the open or restricted tendering procedures will enable the award of a contract. It is expected that this procedure will be appropriate for many cases where previously the negotiated procedure has been used

17.2.5 Associations who need to tender to supply care and support services should become familiar with the guidance issued to commissioners by CLG in October 2006, *A Guide to Procuring Care and Support Services*.

17.2.6 The advice to commissioners procuring public services from the non-profit sector is that this should be done under the terms of the guidance contained in the *Funding and Procurement Compact Code of Good Practice* ([see Web Links section](#)).

17.2.7 The principles of this code are:

- ! Providers are entitled to full cost-recovery on the services they supply
- ! It is the price at which you offer your service that applies in the award of the contract, not the breakdown between, for example, direct costs and overheads or some other spurious requirement to justify costs

17.2.8 It is worthwhile for organisations involved in tendering for care and support services to become familiar with this code, although it should also be borne in mind (as Supporting People commissioners' frequent approach to overheads apportionment has shown – see 17.9.2 below) that, in practice, the guidance it contains is not always followed.

17.3 Tendering and Business Plans

17.3.1 When tendering opportunities for new services arise, it is important to assess them in the context of your organisation's Business Plan before committing yourself to responding to them. Tendering is a time-consuming and resource-heavy operation, requiring a high level of corporate commitment and often involving quite challenging deadlines, and so it is important to ensure that any tendering embarked upon represents an opportunity that reflects the business development and growth priorities of your association.

17.4 Resourcing tendering

17.4.1 Once you have decided to tender, a project group needs to be brought together to assess the tender requirements, risk appraise the opportunity, draw up your tender submission and critically appraise an initial draft (you may also wish to involve individual staff in the critical appraisal who have no other involvement in the tender process and who therefore come to it with 'fresh eyes'). Typically, with a tender for care or support services, this group is likely to involve:

- ! A specialist in the client group that is the subject of the tender who has up-to-date knowledge of relevant policy and practice

- ┆ Senior staff from the care and support operation who would run the service if the tender was won
- ┆ A management accountant
- ┆ A human resource specialist with experience of TUPE
- ┆ An author, i.e. the person who will actually write the tender

17.4.2 A senior development manager's input will also be needed if the service is accommodation-based and requires new building developments.

17.4.3 Ideally, this group should be led by someone with previous successful experience of tendering. There may also be occasions when, for instance due to workload pressures within the association or because of an identified need to bring in more expertise (perhaps in tendering itself), the input of an experienced consultant is needed.

17.4.4 Consideration also needs to be given to the process of putting a tender submission together, and, in particular, how approval of the tender submission is achieved. There is likely to be a need for some Board/Management Committee member involvement, which will need to be factored into the submission timetable.

17.5 Risk identification and management

17.5.1 When considering making a tender submission, it is crucial that the tender opportunity be risk-assessed at an early stage. The risks posed by, for instance, new contractual requirements may cause you to decide not to tender: in any event, you should aim to get a clear idea of the risks to your organisation posed by the opportunity and look to manage these within your tender submission. Early in the tendering process you should ideally get in-principle approval from your organisation's senior management team or Board that the level of likely risk is acceptable and that you should proceed to prepare a full tender response.

17.5.2 When considering making a tender submission, it is crucial that the tender opportunity be risk-assessed in terms of:

- ┆ Fit with the organisation's business development strategy
- ┆ Match with the organisation's existing client groups
- ┆ Fit with the organisation's geographical spread of operations
- ┆ The size of the service to be delivered and the organisation's ability to absorb that within current operations
- ┆ Health and safety considerations associated with taking on high-risk client groups
- ┆ Additional requirements to support specialist BME services such as the employment of staff with specific language skills and the costs to translate the organisation's documentation into multiple languages

17.5.3 There are additional risks when it comes to tendering for existing services, e.g.:

- ┆ Timescales within which the organisation would have to take over the service
- ┆ Risks transferring from an existing provider, including risks associated with staff who may be transferred over to your organisation. These can include employment

terms and conditions that are significantly different from those of your existing employees and pension commitments that may make the tender over its lifetime uneconomic for your organisation. Where a potential transfer of staff is involved, you should be mindful of TUPE regulations and, where a transfer of public sector staff is proposed, of Two-Tier Workforce Cabinet guidance as well

- ! Where the service is an accommodation-based service, there may be additional risks associated with leasing or becoming a managing agent for poorly maintained property.

TENDER CONSIDERATION CHECKLIST		
Issue for consideration	Yes/No	Explanation
Does the tender opportunity that's arisen fit with your organisation's Business Plan aspirations?		
Would there be benefits to the organisation in winning this business?		
Do you have any concerns about the tender's expectations regarding the quality of service to be delivered? (If so, can a satisfactory outcome be found?)		
If an existing workforce is likely to transfer to your organisation under TUPE (and, in some cases, Two-Tier Workforce Cabinet guidance) should your tender be successful, can this be satisfactorily accommodated alongside your existing employment arrangements?		
Are there other potential risks to the organisation in winning this business?		
Have you drawn up a plan indicating timescales for compilation of the tender submission and ensuring approval is obtained at the correct authorisation level to the detailed submission prior to the deadline date?		

Do you have the necessary resources to complete the tender submission by the deadline date? (Who do you need on your tender team?)		
Is there likely to be a negative impact on the organisation's existing business during the tender process? (If so, how can this best be managed?)		
Have you obtained approval at a senior level to proceed to draw up a detailed tender proposal, together with a commitment to make available the resources needed for tendering?		

17.6 Tendering of existing services

- 17.6.1** Although tendering for services is likely to increase in future because of growing pressure to demonstrate that value for money is being obtained, to date local authorities have shown an inconsistent approach towards tendering for care and support services, some tending instead to opt for periodic review and renegotiation with contract holders. Clearly, it will be beneficial for your organisation if it runs care and support services and its relationship with funders is such that it is able to renegotiate contracts without having to submit to tendering exercises. However, it is important to bear in mind that a crucial aspect of a strong relationship with commissioners is their confidence that you are regularly reviewing your services to identify opportunities for service improvements and efficiencies.
- 17.6.2** If a service that an organisation already provides is being tendered, the organisation should have a good understanding of the background to the tender and the commissioner's tendering objectives. This should give it a head start in putting a tender submission together that will be attractive to the funding body. Clearly, however, a provider that is not considered by commissioners to be efficient and/or to provide a value for money service may find itself excluded at an early stage in the procurement process, which underlines the need for an organisation to promote itself as an efficient provider of services at all times and not just when tender opportunities arise.
- 17.6.3** Whether or not finding efficiencies is an explicit objective of the tender exercise, the organisation, in addressing the tender requirements, should try to come up with the most efficient solution. The existing service can be usefully reviewed using a number of tools in this Toolkit with the aim of including in the tender submission improvements to cost, performance and outcomes and smarter, more effective working practices.
- 17.6.4** Depending on the nature of the service and how the tender is constructed, there may also be opportunities to maintain existing income while expanding the service to address the needs of more people.

CASE STUDY: FAMILY MOSAIC

Family Mosaic are a well-established support provider in London and Essex, providing housing related support services for over 30 years to a range of client groups.

In 2006, Essex County Council embarked upon a tender exercise covering all generic floating support provision in Essex. Family Mosaic already had 42 staff working within floating support services across the Thames Gateway, delivering around the key components of the tender which included a Gateway service, immediate crisis intervention and holistic support services.

The association had invested significantly in the development of the staff team concerned, and these were skills it did not want to lose. Faced with the tender, Family Mosaic's aim was to ensure it held on to its existing business and was positioned to manage the potential growth the new contract would offer.

In order to secure the new contract, it was important for Family Mosaic to ensure the work and positive outcomes it had already achieved in the region were highlighted; to demonstrate the organisation was financially viable and in a strong position to manage the new business opportunity; and to show it could offer good value for money. Family Mosaic had already been working on efficiencies in the run up to the tender, assisted by the winning of another large contract which made economies of scale possible.

Among the strengths the association emphasised in its tender proposal were:

- An existing focus on the efficiency agenda, including possession of key skills in providing cost-effective, value for money services; strong financial and performance management; outcome-focused support planning and outcomes monitoring.
- The existence of 42 trained staff already providing locally based floating support services.
- The necessary staffing structures, premises and infrastructures to cope with a larger service were already in place, along with working policies, practices and protocols.
- Low set-up costs and the ability to deliver a full compliment of trained staff within a 4-month lead-in period to meet the growth in the new service with no reduction in frontline service hours.
- Existing Quality Assessment Framework grades in Essex of A's and B's, along with a stated target to increase the percentage of A grades achieved across the department.
- Use of IT to enable outcome reporting and to make maximum use of support staff time.
- A commitment to quality assurance by monitoring and continuously improving the quality of services and formal and informal consultation with service users on the services provided.
- Access to a Community Investment Trust (held by the Family Mosaic Group) and a track record of successful fundraising to enable additional services.

A project team was set up to manage the tender process because of the importance of retaining the existing service. The association never at any time assumed it would win the tender and continued to work hard throughout the tender process at identifying the added value it could bring to the proposed service. In the end, Family Mosaic was successful selected along with two other providers, with whom it is working closely to promote and deliver quality services across Essex. Family Mosaic's new contract has brought in additional income which has enabled the association to increase the number of support hours delivered to more vulnerable people compared to the previous service.

17.7 Tendering for new services

- 17.7.1 When tendering for a new service, there is not only the opportunity to assess the most efficient approach to the service itself, but also to see whether your existing operation can bring added efficiencies to a service (for instance, through incorporating the service into an existing management structure so that the new service only has to carry a share of management costs) or whether the addition of a service can bring greater efficiency to your organisation (for instance, by contributing to the costs which the organisation is already bearing for a local office from where other services are already being provided).

17.8 Finding efficiency gains

- 17.8.1 When tendering for a new or remodelled service, there are several areas where you can look to deliver more efficiencies. These include:

- ! Low overheads, perhaps because the new service only has to carry a small share of your organisation's existing senior management costs, IT infrastructure costs and HR departmental costs
- ! Lower operational management costs, for example by operating the service from a local office where the organisation already provides other services or by locating the service within an existing service management structure
- ! Lower direct costs, for example the use of mobile working solutions that prevent down-time through community-based staff having to report back to an office each day, or as a result of having more clients in a geographical area, thereby reducing the geographical area existing staff cover and reducing their travelling time
- ! More innovative service design, particularly the use of technological solutions such as on-line self assessment and assistive technology
- ! Bidding as part of a consortium (see Toolkit Section 18 for further information). Where sizable contracts are concerned which have the potential for more than one successful bidder, commissioners can view consortium bids, where they only have to deal with one lead agency rather than a number of agencies, as a useful efficiency measure.

- 17.8.2 When considering bringing efficiencies to a tender proposal, it's important to remember that a true efficiency does not compromise on service quality. Any proposed efficiency measures should be assessed against the tender's service quality expectations and the quality aspirations and standards of your organisation.

17.9 Different approaches towards costings

- 17.9.1 Costing approaches have previously been discussed in Section 9 of this Toolkit. When tendering for a service, it is advisable to take a full cost recovery approach to ensure that the service is not running at an ongoing deficit. This approach refers not just to the service overall, but to each element of the service funding (i.e. rents, service charges, support and care income if applicable). Each of these should cover the appropriate element of costs.

- 17.9.2 The organisation may, however, decide to opt for a marginal costing approach in some cases. In the case of Supporting People services, for example, it is known that commissioners are unlikely to pay for overheads at more than 15-20% of direct costs. If the organisation is in a position where a critical mass has been reached in terms of overheads, and adding the additional service will result in no additional overhead costs, then pricing with less than a 15-20% contribution to overheads may be acceptable internally and be an attractive aspect of your tender.

- 17.9.3 Another time when this approach may be appropriate is when overheads are currently considered excessive and any additional contribution would help to spread the existing cost further. For example, a floating support service may currently carry 40% overheads due to a requirement to have a local office and management base. The office and management team are under-utilised, so the development of an additional contract where 15% overheads is the maximum allowed by the commissioner will still bring in an additional contribution to existing overheads costs and hence be more efficient overall.
- 17.9.4 Overheads might also be costed at a marginal rate where there is a clear incentive to do so and it fits with the organisation's overall Business Plan. Examples include:
- ! When it is important to win the tender in order to establish a standing in a market place, (e.g. a new area of activity or a new geographical area) that has been identified as crucial for growth during the business planning process. As retendering of a service an organisation is currently providing does not represent growth, a marginal costing approach would normally not be taken in such circumstances
 - ! To prevent a competitor from entering your market place. In adopting a marginal costing approach in such circumstances, there is usually an assumption that you can drive the price back up at a later date
- 17.9.5 The organisation's Board should approve any strategy for the application of marginal costing and monitor whether or not it is successful in both the short term (winning the tender) and the long term (delivering the service or tender renegotiation). In any event, as a way of minimising the risk, marginal costing approaches should only be considered on relatively small contracts.

17.10 Pricing your service

- 17.10.1 *The Funding and Procurement Compact Code of Good Practice*, mentioned earlier in 17.2.6, advises that voluntary sector providers should be entitled to full cost recovery on the services they supply ([see Website Links section](#)).
- 17.10.2 From your organisation's viewpoint, full cost recovery is very important because services that incur a financial loss will not be sustainable in the long run.
- 17.10.3 The price at which the service is to be delivered should be one that is considered to represent an adequate return for the organisation. If the organisation withdraws from service provision at a later date on economic grounds, this might seriously damage its reputation with local commissioners and jeopardise its chances of being successful with future tender submissions. It is therefore vital that your service pricing is signed off by the finance representative assigned to the tender project group and by the senior management group or Board members who are tasked with considering whether the price at which the service is to be delivered represents an adequate return for the organisation.
- 17.10.4 You should always ensure that your price includes all of your fixed direct costs of service delivery. While these will generally consist of staff time and a proportion of service manager time, you may also have to make a number of judgements within the direct cost element of your service. These include:
- ! The proportion of work in the tender that could take place outside normal working hours and whether this might incur extra costs for the organisation
 - ! Whether the contract will be awarded with inflationary increases built in, or whether you will have to pay any inflationary rises you are contractually obliged to make to your staff from the surplus in the contract

- ⌋ Whether you will base your direct costs on the mid-range of any salary scale you have for direct staff and how you will cover salary costs for staff at the top of this scale and cover increments for staff moving up the scale

- ⌋ The cost of holiday or sickness cover by temporary staff

17.10.5 To ensure full cost recovery, you should also ensure that the service price includes a reasonable apportionment of overheads to the service. Overhead apportionment methodologies are discussed above under 'Different approaches towards costings' and in Section 8 of this Toolkit. Further detailed guidance on full cost recovery for voluntary organisations is contained in the *Full Cost Recovery Toolkit* published by ACEVO ([see Web Links section](#)).

17.10.6 With respect to the overhead element of your service, one of the biggest challenges is one-off costs associated with the setting up of a new contract. This can include the costs of obtaining/refitting new office space, new ICT equipment, training/induction and temporary project staff to manage the smooth transfer of the service if you take over the service from another provider. Consideration should be given as to whether such costs are best presented as initial setting-up costs or spread across the service budget for the life of the contract.

17.10.7 Information on costs can be gained from your own management accounting figures and also by conducting a market analysis to inform pricing. The kinds of areas such an analysis could cover are:

- ⌋ What is the commissioner looking for and what are their priorities?
- ⌋ What does your organisation know about the prices the commissioner is, or has been, willing to pay for similar services?
- ⌋ What are the stated criteria to be used to judge tender submissions (e.g. price, quality, outcomes, partnership working, flexibility, local presence, etc.)?
- ⌋ Who might your organisation's competitors be and what information is there on their approach to pricing?
- ⌋ How does your organisation score on each of the stated tender criteria compared to likely competitors?
- ⌋ Can your organisation cover its costs and come within the commissioner's acceptable cost parameters?
- ⌋ Can your organisation make a case for 'added value' that will overturn price considerations for the commissioner?
- ⌋ Can your organisation reduce its costs through more efficient working?
- ⌋ Is there a case for strategic pricing? For instance, is this a geographical or service opportunity that has been identified as a key priority during business planning?

17.10.8 In most cases, it will be important that you do not under-price your service so that the organisation ends up incurring a financial loss on it. In any event, it is vital that your income and expenditure calculations are signed off by the finance representative assigned to the tender project group and by the senior management group or Board members who consider whether the tender submission should be made.

17.11 Justifying costs

- 17.11.1 Care and support organisations who are successful at tendering tend to be fairly transparent about their costs and costing assumptions – this is, after all, the start of what will hopefully become a long term relationship with the commissioner/s.
- 17.11.2 Spelling out the costs and the costing assumptions helps the commissioner/s understand what is in and what is out of the tender submission, and (if the process is a negotiated tender) gives pointers for negotiation later on.
- 17.11.3 This approach also helps in justifying the costs, particularly if it is linked to performance standards set out in the tender documentation or which the association is prepared to offer. This can be particularly useful in a negotiated tender, where the value for money to commissioners is increased by an offer that helps them achieve higher performance standards for their local services. In addressing performance expectations, there is growing emphasis on performance outcomes (see Section 14 of this Toolkit), so it will be useful if you can already point to specific outcomes on specific services your organisation already operates.
- 17.11.4 It is also always worth including in a tender mentions of organisational practices which could be considered as offering added value to commissioners, e.g. the application of environmentally friendly construction and operating policies.

17.12 A pro-active tendering approach

- 17.12.1 It is easy to feel like a passive recipient when it comes to constructing a tender application, but it is actually important that the organisation approaches tendering in a pro-active way, raising questions with commissioners when it requires clarification about tender issues, taking and demonstrating an active risk management approach and being clear to commissioners about tender assumptions and (if necessary) what is in the tender price and what is not.

18 Organisational Change

18.1 Introduction

18.1.1 This Toolkit section looks at how organisational structure can impact upon efficiency and gives examples of ways in which organisations have made changes to their structures in order to achieve efficiency gains. The principal areas covered are groups, mergers, and other ways of sharing between organisations.

18.1.2 The structure of an organisation can have a considerable effect on overall efficiency. Implementing the most efficient structure will optimise the use of shared resources and eliminate unnecessary repetition of processes and roles in different parts of the organisation.

18.1.3 Revising the structure may also achieve better alignment of an organisation geographically or around service types, and allow for the development of specialisms in a way which presents a lower level of risk to core activities.

18.2 Reasons for structural change

18.2.1 Formal partnerships have advantages over informal arrangements as they put organisations in a better position to cope with new business opportunities through:

- ┆ enhanced balance sheet strength, allowing further borrowing and growth
- ┆ enhanced capacity to take controlled financial risks, for instance on specialist services
- ┆ ability to move resources around a group, enabling individual members to take more advantage of opportunities
- ┆ group buying power
- ┆ more competitive costs, through optimising the use of central functions
- ┆ the ability to exert influence and gain access to key partners
- ┆ improved market intelligence and market coverage.

18.2.2 Whilst housing associations may view such changes as a way to greater efficiencies and better service delivery, research has shown that it is still the desire to grow that is the key reason behind them.⁷

18.2.3 When entering into groupings and mergers, associations generally predict considerable efficiency savings through their Business Plans. However, evidence suggests that actual savings are low compared to the size of the business and the potential to achieve economies of scale, particularly in the area of support functions.

18.2.4 The major areas of savings achieved through constitutional partnerships are staff costs and maintenance procurement. It is arguable that the savings made through procurement could have been made equally well through properly organised procurement consortia.

⁷ *The cost and benefits of groups mergers and partnerships* (Chartered Institute of Housing/Tribal – June 2006)

18.2.5 Evidence suggests that associations may not be maximising the savings achievable in respect of operational management or accurately monitoring these savings against the baseline position.

18.2.6 When considering a group structure or merger, associations should consider the Housing Corporation requirement to demonstrate clear evidence of the benefits that will arise from the proposed changes. As Peter Dixon stated in his letter to housing associations in June 2005, "It is not sufficient just to plan for larger organisations for the sake of it". Proposals should include:

- ┆ evidence that the new structure will improve services to tenants and others
- ┆ evidence that there will be significant, measurable efficiency savings
- ┆ arrangements to monitor outcomes against those intended savings
- ┆ simple, clear governance structures

18.2.7 When considering the prospect of entering into any form of partnership, organisations should also consider the alternative possibility of scaling down staffing to improve competitiveness or focusing their business on a particular area of activity or specialism.

18.3 Groups

18.3.1 Groups may be formed either by a number of organisations joining together in a group structure, or through the formation of subsidiaries, normally to take on specific areas of business such as care services.

18.3.2 The normal group structure seen amongst housing associations involves a parent body with a number of subsidiaries. Groups tend to be favoured over mergers as they allow individual members to maintain their identity. This normally includes the retention of individual Boards by each group member. For housing associations, it should be noted that it is a requirement of the Housing Corporation that the 'parent' body (i.e. the lead body in the group) must have control of its subsidiaries; this can sometimes lead to tension over the independence of group members.

18.3.3 Group structures better allow the development of higher risk or specialist activities through the formation of a separate company to carry out that activity. In this way, income and expenditure for the activity can be clearly ring-fenced, monitored, and, if necessary, discontinued or disposed of (subject to any cross-guarantees in place). This is particularly relevant in the care and support market place, where the development of supported housing schemes and/or care and support services may be seen as a much higher risk than mainstream group activities. The repositioning of support in a discreet subsidiary may also enable the development of more innovative approaches to services.

18.3.4 The status of a care and support subsidiary requires careful consideration. In order to properly ring fence care and support activities, the organisation must set up an appropriate legal structure for the subsidiary and be absolutely clear of the boundary between the responsibilities of the care and support and registered social landlord functions. Consideration must be given to establishing exactly where the boundary between support and housing lies, particularly in the case of "intensive housing management" issues, staff who provide both housing management and support, and in respect of housing management services provided to agency managed projects. The legal status of the subsidiary will also require careful consideration, dependent upon the range of activities to be carried out and the associated regulatory and taxation issues.

18.3.5 Key reasons for the formation of groups are:

- ‡ to retain a valued brand or service
- ‡ it is easier to attract group members than merger partners
- ‡ to increase the scope for corporate service provision and procurement efficiencies where smaller organisations join together to form a group
- ‡ they work well for discrete specialisms in different areas
- ‡ they allow high risk/specialist activities to be developed ring-fenced
- ‡ they are the most tax efficient structure
- ‡ they may act as a path toward merger
- ‡ they may be necessary due to regulatory requirements, for instance for funding of Large Scale Voluntary Transfer associations.

CASE STUDY: THE GENESIS HOUSING GROUP

Genesis are integrating the central services teams of its member Springboard Housing Association into Genesis teams on an on-going basis. Savings are forecast to increase from £650k in 2006/07 to £1.5m p.a. from 2008/09 onwards.

18.3.6 Key problems with group structures are:

- ‡ it is more difficult to integrate operations/cultures
- ‡ governance/corporate structures may be unwieldy and inefficient
- ‡ opt-out clauses may limit rationalisation/stability of group
- ‡ subsidiaries are unlikely to be equal partners and a “them and us” attitude may develop, particularly around the allocation of head office costs.

18.3.7 The report *Group Dynamics*, published by the Housing Corporation in 2001, stated that, whilst savings had been made in certain areas by housing groups, there was less evidence to demonstrate a link between membership of a group and more efficient performance. Indeed, the maintaining of separate staff teams in group structures and possible duplication of central staff roles may lead to inefficiencies if maintained.

18.3.8 Investigations undertaken by Tribal and the Chartered Institute of Housing for *Investment Partnering – an evaluation of the Pilot Programme* demonstrated that associations were concerned at the costs of setting up groups and maintaining complex management structures. Groups may be established as an easy option to maintain staff teams and Boards. If the setting up of a group is used to avoid decisions on governance and corporate services that would be forced in a merger situation, then a group structure is likely to be less efficient than a merger.

18.4 Mergers

18.4.1 Mergers, where the activities of two or more organisations are integrated into a new single organisation, eliminate the need for the complex governance and group structures.

- 18.4.2 In the past, housing association mergers have generally taken place where an association effectively takes over a weaker association, often due to financial or governance failing and as a result of Housing Corporation intervention
- 18.4.3 More recently, there has been a trend towards mergers designed to achieve operating efficiencies in addition to delivering growth aspirations. A significant proportion of these savings have been achieved through the reduction in the costs of maintaining separate legal entities within a group.
- 18.4.4 The advantages of mergers are that:
- ┆ they result in a simpler, more efficient structure
 - ┆ they work well where there is an overlap of culture, geographical area or client group
 - ┆ they integrate organisations more fully
 - ┆ they allow rationalised funding arrangements
 - ┆ brands can still be retained through a divisional structure
 - ┆ they may be easier for tenants to understand and participate in.
- 18.4.5 The disadvantages are
- ┆ they may be seen as a takeover or be dominated by one organisation
 - ┆ they may be more time consuming
 - ┆ they will not suit independent-minded organisations or circumstances where there is no cultural fit
 - ┆ riskier activities cannot be easily isolated
 - ┆ accountability may be more difficult to demonstrate.
- 18.4.6 One of the key issues for organisations considering a merger will be that of organisational fit. It must be ensured that merger partners fit culturally and organisationally, as well as strategically.
- 18.4.7 Organisations must take account of the transaction costs of mergers, both in financial and time costs, and weigh up in the new organisation's Business Plan the time taken to recover these costs through efficiency savings.

CASE STUDY: CASA SUPPORT

The merger of Horizon Care & Support and Crowebridge HA to form Casa Support occurred in May 2006. It has achieved efficiencies in respect of the costs of Casa's senior management structure, the costs of Group services (e.g. finance, HR, development) and cost savings in procurement (led by the Group). In addition, the pooled expertise and opportunity to migrate best practice from each of the predecessor organisations is expected to lead to service improvements for our customers.

The contracting culture within the supported housing sector, in particular in respect of Supporting People, is changing. Case Support believe that this will favour larger organisations and the merger was an expedient route to becoming a larger organisation. As for any business there is pressure to reduce costs, to deliver more with less. They believe that they are better placed to achieve this as a larger organisation and the merger has improved their financial viability as an organisation. The merger has produced financial efficiencies, strengthened their competitive position and increased their profile. There is a commitment to ensure that merger efficiency savings are spent on service improvements to their customers.

An officer led merger project group was established which included customer representatives. Specific proposals were developed by this group including the shape of the new, unified service structure. The Boards of the two organisations nominated governance representatives who formed a Merger Working Party (MWP).

A set of criteria were established by the MWP based on which the decision to merge would be taken. The criteria included the fact that benefits to customers must be evident.

A business case for merger was prepared and presented to the MWP. Following its review, the MWP recommended the merger to each of the Boards (of the predecessor organisations). The recommendation was accepted by each of the Boards. A merger action plan was developed and implemented and this led to the merger taking place in May 06

Efficiency savings were produced from a reduction in the senior management structure and through a pooling of the entire Group central services (i.e. finance, HR etc.). In terms of productivity, quality improvements we are still working towards maximising the benefit of the merger in these areas. During the initial 12 months post merger a lot of time and energy was focussed on harmonisation of working arrangements. In the second 12 month period we intend to realise the benefits of the pooling of expertise and best practice that the merger has given us.

Their market position as a service provider has improved together with our level of influence. These stem from being a larger organisation.

18.5 Non-constitutional partnerships

18.5.1 Many of the advantages achievable through a group structure or merger can be achieved through non-constitutional partnerships such as consortia and strategic alliances.

18.5.2 The advantages of non-constitutional partnerships are:

- ! they can be used to achieve significant procurement savings
- ! they are flexible
- ! they allow organisations to retain their autonomy
- ! they allow contracting between partners for services
- ! there is likely to be less upheaval perceived by tenants.

18.5.3 There are some disadvantages in comparison with constitutional partnerships in that:

- ! the partnership may be dominated by larger members

- ┆ maintaining the partnership will take up management time and incur costs
- ┆ procurement will be subject to EU rules
- ┆ there may be VAT implications
- ┆ there is unlikely to be the same level of opportunity for tenant involvement.

18.5.4 Types of arrangements used have included:

Strategic alliances

18.5.5 Housing associations have developed comprehensive alliances that are governed by service level agreements rather than by constitutional changes. These may include sharing of central functions though Sharing Without Merging (SWIM).

CASE STUDY: ARP and CARR-GOMM

ARP is a specialist housing association and treatment agency providing community and accommodation-based support services to over 4,000 people a year who have problematic alcohol and/or drug use. Following a strategic review the organisation realised it needed to reduce its overheads and focus more sharply on its care and support operation. Three means of achieving this were identified:

- re-engineer ARP's existing business
- merge with another organisation
- outsource its central services.

It decided to outsource its central services, although it felt they still needed to be provided by an organisation that operated within the supported housing sector and understood the business.

A consultant was used to draw up a tender specification for outsourced IT, finance, human resources and property maintenance services; to draft the tender selection criteria and to approach and sound out potentially interested parties. A number of organisations were then invited to tender.

Following consideration of the tender responses and subsequent contract negotiations, ARP appointed Carr-Gomm as the provider. The arrangement is covered by a five year Service Level Agreement, which features a number of performance targets – essentially process-based initially, but moving to service outcomes.

There was an initial contract period during which the two organisations' IT systems were harmonised and some staff were seconded from ARP to Carr-Gomm in advance of formal TUPE arrangements. The outsourcing achieved significant financial savings for ARP, as well as improvements in the scope, efficiency and responsiveness of central services. The arrangement has also helped Carr-Gomm address commercial pressures to reduce the levels of central overheads borne by their own projects and at the same time retain skilled staff.

Consortia

18.5.6 Consortia have been set up to achieve economies of scale on specific services or projects, as well as being used to broaden the scope of offerings into specialist areas.

18.5.7 Consortia are being used to take advantage of opportunities for large-scale developments which could not be taken by housing associations on their own, with a single project management based approach.

18.5.8 A major area in which efficiencies have been achieved through consortia is in the area of procurement. This is discussed more fully in Section 13 of this Toolkit.

Service partnerships

18.5.9 Housing associations are also adopting partnering arrangements with suppliers, particularly in the area of maintenance. This is also discussed in more detail in Toolkit Section 13.

Management agreements

18.5.10 Housing associations have used managing agreements to contract with managing agents for support services for many years. Managing agents may be associations themselves or other voluntary sector providers.

18.5.11 This approach allows a housing association to develop stock for specialist provision outside of, but normally complementary to, core activities. The managing agent will bring the specialist knowledge to the provision of support, without having to bear the risk or secure funds for the development of the building. The risks involved in operating the accommodation lie largely with the managing agent. In this way, a more efficient and lower risk service can be developed, than would be the case if the association was to enter into a new area of business on a small scale.

18.6 Other structural efficiencies

Stock holdings review

18.6.1 Housing associations should review stock holdings to ensure that these are reasonable in efficiency terms. Geographically isolated stock or specialist stock outside of the key specialisms of the organisation should be reviewed to ensure that maintaining the stock is financially viable and the most efficient use of resources for the association.

18.6.2 Where this is not the case, the association should carry out an options appraisal for the future of that stock. Options may include:

- ⌋ remodelling the stock to fit with the association's Business Plan
- ⌋ disposal of the building and reinvestment of the proceeds in more efficient stock
- ⌋ stock swaps with other associations
- ⌋ stock transfers to other associations.

18.6.3 An important advantage of being part of a group or merged association is that stock may be transferred to, or swapped with, other group members or merger partners where this makes sense geographically or the stock better complements the core business of other group members or merger partners.

Business activities review

18.6.4 Organisations should review all their business activities to ensure that each is financially viable and operating efficiently. Where particular areas are operating inefficiently and are

not core to the organisation, it may be possible to restructure or cease to carry out the activity.

- 18.6.5 This is particularly true of a division where activities are marginal to the organisation and make little or no contribution to central overheads, or where ceasing the activity will allow a reduction on central overheads greater or equal to the contribution made by the activity area.
- 18.6.6 A business activity review can also lead to the restructuring of existing business so that operations are put on a more sensible footing, for instance by ensuring a range of similar services requiring particular expertise or knowledge of a market are brought together.

CASE STUDY: LONDON & QUADRANT (L&Q)

London & Quadrant faced the approach of Supporting People with a diverse portfolio of supported schemes - 1,500 agency managed projects and 400 directly managed supported schemes (including a foyer), under the management of a specialist department within L&Q's Corporate Strategy Division. Alongside this, L&Q's three geographical regions and one LSVT subsidiary had responsibility for 1,700 sheltered tenancies.

L&Q's Executive Team looked at the options and made the decision to establish a new specialist support division, to be called London & Quadrant Supported Living, with a seat at the Executive top table and the opportunity to create a high-profile support business within the L&Q Group.

Bringing together the two businesses – sheltered and 'supported' – was always going to be challenging. The whole of the new division needed to embrace the same performance culture, built around the expectations of SP. This meant an intensive programme of training around newly minted support policies and procedures, and seeking to forge a common culture between our sheltered 'wardens' and our specialist support workers. Broadly, L&QSL's first 18 months were focussed on policies, procedures and people – first 'building the bus' and then getting people ready to board it. For a very few, it was the still the wrong bus, and L&Q's HR department came in to help them gently off at the next stop.

The emphasis of the next 18 months shifted to driving up standards and building the business through strong relationships with local SP teams. The breadth of services, and the underlying strength of L&Q, helped deliver a range of new, mostly floating support, contracts. The division's high point came in early 2006 with the Audit Commission's praise for L&QSL as a "strength" of L&Q, itself awarded two stars plus excellent prospects.

The focus has since shifted again to the reconfiguration of support services against the financial realities of local authority SP budgets and the true cost of providing support services. Attention is now turning to ways in which the skills of the division can help support L&Q's vulnerable tenants in general needs housing.

There have been a number of outcomes from L&Q's decision to restructure its support activities. Easily measurable key performance improvements include rent arrears, down from over 9% in 2003 to 3.4%. Stakeholder surveys evidence some of the 'soft' outcomes that a service dedicated to vulnerable people has achieved. For example, in October 2005, SP authorities rated L&QSL staff as very helpful, KPIs timely and of good quality, service reviews well managed, and L&QSL as a future partner of choice. In October 2006, service users indicated 94% satisfaction with the support services they received.

19 Regulatory Checklist

19.1 Introduction

- 19.1.1 This checklist contains website links to documents and information that housing associations involved in care and support provision should be aware of in order to meet their regulatory obligations.
- 19.1.2 The last section on Tendering is distinct from the remainder in that it does not refer to regulatory matters in respect of housing associations, but rather guidance to local authorities in relation to tendering which organisations involved in local authority tenders would do well to be aware of.

19.2 Efficiency

- 19.2.1 *Housing Association Annual Efficiency Statements: A Guidance Note*
<http://www.housingcorp.gov.uk/server/show/conWebDoc.3648>
- 19.2.2 Information on how to complete Annual Efficiency Statements can also be found on
<http://www.housemark.co.uk/hm.nsf/0/B37B5150535ED9AC8025701200787D54?opendocument>
- 19.2.3 *Key Line of Enquiry No.32 – Value for Money* <http://www.audit-commission.gov.uk/kloe/housingkloe.asp>

19.3 Performance and Quality

- 19.3.1 *Inspecting for Better Lives*
http://www.csci.org.uk/about_csci/publications/consultation_iblbackground.aspx
- 19.3.2 *Regulatory & Statistical Return Forms and Guidance*
<http://www.housingcorp.gov.uk/server/show/conWebDoc.3836>
- 19.3.3 *Financial Regulations: Requirements for Submitting Returns*
<http://www.housingcorp.gov.uk/server/show/conWebDoc.952>
- 19.3.4 *Best Value for Registered Social Landlords*
<http://www.housingcorp.gov.uk/server/show/conWebDoc.1288>
- 19.3.5 *Guidance for Completing the Supporting People Client Record Form*
http://www.spkweb.org.uk/subjects/client_records/The_guidance_for_completing_the_Supporting_People_client_record_form_.htm
- 19.3.6 *Other information on Supporting People Client Records* <http://www.spclientrecord.org.uk/>
- 19.3.7 *CORE Supported Lettings documents* http://www.core.ac.uk/core/2006_7Documents.html
- 19.3.8 In addition, it is worth being aware of the obligations to the CLG on 'non-excellent' local authorities in respect of Supporting People (see *Supporting People Guidance* http://www.spkweb.org.uk/Subjects/Legal_Framework/Grant_conditions_directions_and_statutory_guidance/SP+Guidance.htm)

19.4 Procurement

- 19.4.1 *Procurement Policy and Application of EU Rules*
http://www.ogc.gov.uk/procurement_policy_and_practice/procurement_policy_and_application_of_eu_rules.asp

19.5 Tendering

- 19.5.1 *A Guide to Procuring Care and Support Services*
http://www.spkweb.org.uk/subjects/capacity_building/Procurement%20guide%20templates.htm
- 19.5.2 *Funding and Procurement Compact Code of Good Practice*
<http://www.thecompact.org.uk/information/100023/100219/publications/>

20 Website Links

20.1.1 This section contains website links to documents and information that are referred to throughout the Toolkit.

20.1.2 Clicking on the document titles (shown in *italics*) will take you to the source of the reference within the Toolkit, while clicking on the underlined website address will take you to that website.

20.2 Section 3 – The efficiency context

20.2.1 *Housing Association Annual Efficiency Statement: A Guidance Note* – Chartered Institute of Housing and Housemark (<http://www.housingcorp.gov.uk/server/show/conWebDoc.3648>)

20.3 Section 7 – Developing an Efficiency Strategy

20.3.1 *Embedding Value for Money in Housing Association Services* – Chartered Institute of Housing and Housemark (<http://www.cih.org/policy/EmbeddingValue.pdf>)

20.3.2 *Key Line of enquiry (KLOE) No. 32 – Value for Money within Housing* – Audit Commission (www.audit-commission.gov.uk)

20.3.3 Showcase examples of good practice in efficiency in housing management and maintenance arising from Audit Commission inspections – Audit Commission (www.audit-commission.gov.uk/housingefficiency/showcase.asp)

20.4 Section 8 – Involving staff and service users

20.4.1 *Best value: housing and support* – Housing Corporation (www.housingcorp.gov.uk/server/show/conWebDoc.2042)

20.5 Section 9 – Knowing your costs

20.5.1 *Full guidance on preparation of the AES* – Housemark (www.housemark.org.uk) – Go to the housing association link in the right hand column.

20.6 Section 10 – Knowing your performance

20.6.1 *Housing Association Annual Efficiency Statements: A Guidance Note* – Chartered Institute of Housing and Housemark (<http://www.housingcorp.gov.uk/server/show/conWebDoc.3648>)

20.6.2 *On Target: the practice of performance indicators* – Audit Commission (www.audit-commission.gov.uk)

20.6.3 *Measuring Up* – CIPFA (www.cipfa.org.uk)

20.6.4 *Aiming to Improve: the principles of performance measurement* – Audit Commission (www.audit-commission.gov.uk)

20.7 Section 11 – Using benchmarking to improve efficiency

20.7.1 *Performance data collated including RSR, financial returns, CORE logs and AES* – Housing Corporation (www.housingpis.co.uk)

20.7.2 *Reproduced Housing Corporation Performance Indicator information* – Audit Commission (www.audit-commission.gov.uk)

20.8 Section 13 – Improving your procurement

20.8.1 *Detailed EU Procurement guidance and current limits* – Office of Government Commerce (www.ogc.gov.uk)

20.8.2 *Innovative approaches to efficiency in management and maintenance* – Audit Commission (www.audit-commission.gov.uk/housingefficiency/)

20.8.3 *Guidance and examples of best practice in procurement* – National Change Agent Housing (www.ncahousing.org.uk)

20.8.4 *Detailed guidance on procurement processes* – Office of Government Commerce (<http://www.ogc.gov.uk/procurement.asp>)

20.8.5 *Prince 2* – Office of Government Commerce (http://www.ogc.gov.uk/methods_prince_2.asp)

20.9 Section 14 – Improving outcomes

20.9.1 *Guidance on efficiency calculations, and includes a useful 'absence cost calculator' spreadsheet for calculating employee costs* – CLG's Regional Centre of Excellence (www.rcoe.gov.uk/rce/aio/10744)

20.9.2 *Improving efficiency through mobile working* – Project nomad (www.projectnomad.org.uk/index.html)

20.10 Section 16 – Reducing consumption

20.10.1 The table below provides web sites links to further information on each of low cost measures listed.

Low cost measures	Further information can be found at:
<i>Cavity wall and loft insulation</i>	Energy Saving Trust www.energysavingtrust.org.uk/home_improvements
<i>Energy efficient light bulbs and LED bulbs</i>	Energy Saving Trust www.energysavingtrust.org.uk/energy_saving_products Eartheasy http://eartheasy.com/live_energyeff_lighting.htm
<i>Energy efficient travel</i>	Energy Saving Trust www.energysavingtrust.org.uk/what_can_i_do_today/efficient_driving
<i>Energy plus appliances</i>	Energy + www.energy-plus.org Eartheasy http://eartheasy.com/live_energyeffic_appl.htm The Environmental Change Institute http://www.eci.ox.ac.uk/research/energy/appliances.php
<i>Thermostatic radiator valves</i>	National Energy Foundation www.nef.org.uk/energyadvice/heatingcontrols.htm
<i>Water-saving shower heads</i>	Green Peace http://www.greenpeace.org/international/campaigns/climate-change/take_action/12_steps

20.10.2 The table below provides web sites links to further information on each of longer term measure listed.

Longer term measures	Further information can be found at:
<i>Combined heat and power plants</i>	Combined Heat and Power www.chpa.co.uk Department for Environment, Food and Rural Affairs (DEFRA) http://www.defra.gov.uk/environment/energy/chp/index.htm
<i>Community energy schemes</i>	Energy Saving Trust www.energysavingtrust.org.uk/housingbuildings
<i>Draught proofing</i>	Energy Saving Trust www.energysavingtrust.org.uk/home_improvements Draught Proofing Advisory Association www.dpaa-association.org.uk/ Eartheasy http://eartheasy.com/live_cheapheat.htm#tankless
<i>Dual flush or low displacement toilet cisterns</i>	Environment Agency http://www.environment-agency.gov.uk Water wise www.waterwise.org.uk/reducing_water_wastage_in_the_uk/house_and_garden
<i>Hydro power</i>	Energy Saving Trust www.energysavingtrust.org.uk/generate_your_own_energy/ National Energy Foundation www.nef.org.uk/greenenergy/hydro.htm
<i>Solar energy</i>	DTI – Low Carbon Buildings programme www.lowcarbonbuildings.org.uk/micro/solarpv/ Energy Saving Trust www.energysavingtrust.org.uk/generate_your_own_energy/ National Energy Foundation http://www.nef.org.uk/greenenergy/solar.htm

Longer term measures	Further information can be found at:
<i>Spray taps</i>	Environment Agency http://www.environment-agency.gov.uk
<i>Tankless water heaters</i>	The Tankless Water Heater Company http://www.gotankless.com/tech_benefit.html
<i>Wind power</i>	DTI – Low Carbon Buildings programme http://www.lowcarbonbuildings.org.uk/micro/wind/ Energy Saving Trust www.energysavingtrust.org.uk/generate_your_own_energy/ National Energy Foundation http://www.nef.org.uk/greenenergy/wind.htm

20.11 Section 17 – Pricing and tendering for services

- 20.11.1 *European Union procurement directives for the supply of public services* – Office of Government Commerce (<http://www.ogc.gov.uk>)
- 20.11.2 *Funding and Procurement Compact Code of Good Practice* – The Compact (<http://www.thecompact.org.uk/information/100023/100219/publications/>)
- 20.11.3 *Full Cost Recovery Toolkit* – ACEVO (www.acevo.org.uk)